FINANCIAL TIMES

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MONDAY NOVEMBER 30 1998

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WORLD NEWS

Primakov mounts scathing attack on IMF's 'young kids'

Russian prime minister Yevgeny Primakov has described International Monetary Fund officials as "young kids who've seen almost nothing in life". His attack came as he prepared to argue for foreign financial assistance in talks with the IMF's head this week. **International news, Page 2**

Franco-German summit starts
France will urge Germany to speed up agreement on key European policies when the two nations meet at a summit that will test whether their governments can adopt a platform of policies. **Page 18**

Schröder criticised over Ocalan
Chancellor Gerhard Schröder's centre-left German government face criticism on all sides for not seeking the extradition of Kurdish rebel leader Abdullah Ocalan on charges of inciting his followers in Germany to murder. **International news, Page 2**

Sharon presses for withdrawal
Israeli foreign minister Ariel Sharon is asking ministers to consider a staged unilateral withdrawal from Israeli-occupied south Lebanon. So far, only a few back the idea and the army opposes it. **International news, Page 5**

Impeachment prospect fades
The US House of Representatives is unlikely to impeach President Bill Clinton if it votes on the issue as expected in the next few weeks, Congress members said yesterday. **International news, Page 4**

Europe's shipbuilders seek action
European shipbuilders are *demanding international action to* counter the competitive threat from South Korean shipyards. They are concerned that the IMF's loan to Seoul is being used to shore up its ship-building capacity. **International news, Page 2**

New move towards Congo peace
Countries backing the regime of Congo's Laurent-Désiré Kabila and the rebels opposing him have agreed in principle on a ceasefire. The deal was hammered out on the sidelines of the France-Africa summit in Paris. **International news, Page 5**

Comeback for Congress party
India's Congress party celebrated its best electoral showing for more than a decade after ousting BJP governments in two state elections while unexpectedly holding power in a third. **International news, Page 6**

Swiss reject drugs move
A Swiss referendum overwhelmingly rejected proposals to legalise narcotics.

Quake sparks giant wave warning
A strong earthquake near an Indonesian island prompted the US Geological Survey to issue a tsunami warning for the western Pacific. The tremor, measuring 7.6, was bigger than the quake that created a wave which killed more than 2,000 people in Papua-New Guinea in July.

Beijing steps up business drive
China has stepped up its drive to divorce government from business with an order that the ruling Communist party and state organisations must sever links with enterprises from next year. **International news, Page 6**

Corretja wins ATP contest
Alex Corretja rallied from two sets down to beat fellow Spaniard Carlos Moya in five sets and win the ATP tennis championship in Germany, worth $1.36m.

BUSINESS NEWS

International bank lending to Asia falls $51bn in first half

International bank lending to Asia fell by $51.7bn or 14 per cent in the first half of the year, the biggest decline in a decade. Figures published by the Bank for International Settlements provide more evidence of the shift of funds out of the region. **Page 18**

Metropolitan Life, the second largest life insurer in the US, is to seek a stock market flotation, in a move that confirms the trend for big US life companies to shed their mutual status. **Page 19**

Fitch IBCA, the international ratings agency, has signalled the probability of an imminent Russian default on restructured Soviet loans, assigning the securities a long-term rating of CC and a short-term rating of C. **Page 22**

Usinor shares have lost ground after Francis Mer, chairman, warned that the French steelmaker's final quarter performance would not be in line with previous expectations. **Page 21**

Finnair, the Finnish flag carrier, has launched a strategic review following a sharp fall in first-half profits. The group was hit by rising costs and tough competition in the Nordic market. **Page 22**

Managers at Elektrim, one of Poland's largest listed companies, have sought to fend off charges that it misled investors about its true value. **Page 23**

Liffe, the London International Financial Futures and Options Exchange, the world's third-largest derivatives exchange, today launches its electronic *trading system in a move that* probably spells the end of floor trading in London. **Page 20**

Barclays, the UK bank, will seek this week to reassure institutional investors over its strategy following the abrupt resignation of its chief executive, Martin Taylor. **Page 19; Lex, Page 18; Taylor's downfall, Page 21**

GE Capital is considering the purchase of the leasing operations of a failed affiliate of *the Long-Term Credit Bank of* Japan, in what could be the largest overseas acquisition of a Japanese company. **Page 19**

Hungary *is to sell its remaining* 5.4 per cent stake in Matav, the country's dominant telecommunications company, in the first half of 1999. **Page 22**

Air France, the French national carrier, releases its half-year results on Wednesday amid expectations that the timetable *for its partial privatisation* is soon to be announced. **Page 23**

Hyundai, South Korea's largest conglomerate, said it had raised $5bn in overseas funds this year and expected to raise another $4.5bn next year, as the group sought to counter criticism over its debt problems. **Page 19**

CSM, the Dutch foods group, is considering a change in equity status that would improve shareholders' voting rights and weaken its defences against hostile takeovers. **Page 21**

Singapore Telecom, the city-state's main telecommunications provider, reported a 3.4 per cent rise in profits to S$997.6m (US$605m) for the six months to September. **Page 23**

The Philippine economy's relative *resilience to the Asian economic* crisis has been highlighted by the release of better-than-expected economic data. **Page 6**

Holocaust commission faces split on sanctions

Eagleburger opposes threat of penalties against insurers outside settlement deal

By Richard Wolffe in Washington and John Authers in New York

The new international commission on disputed insurance claims from the Holocaust era faces a potentially damaging rift on the threat of sanctions to force European insurers to compensate survivors.

The split emerged as delegates from 44 nations prepared to meet in Washington today at a landmark conference to discuss solutions to the claims – particularly over unpaid insurance, looted art and community property.

Lawrence Eagleburger, the former US secretary of state appointed to chair the insurance commission last month, said he was fundamentally opposed to sanctions against insurers that have failed to join the settlement process.

Six insurers – Allianz of Germany, Axa of France, Basler Leben, Winterthur and Zurich of Switzerland and *Generali of Italy* – have already agreed to be bound by the decisions of the commission.

As well as representatives of Jewish groups, the panel includes the insurance commissioners of several US states, some of which have already adopted laws allowing them to bar uncooperative insurers from trading.

But in his first interview since his appointment, Mr Eagleburger said: "I have real intestinal and, I *think, intellectual reasons for not* thinking much of sanctions, particularly when applied unilaterally.

"I would like to feel that a reasoned argument on why they should be in the process, in terms of a recognition of their responsibility this far removed from the Holocaust, *would persuade these* companies and governments. I may be very naive, but it's my strong belief it's the best way to proceed."

However, the Eagleburger commission appears sharply divided on the need for sanctions. In New York, the state has enacted the Holocaust Victims Insurance Act, which requires all insurers to co-operate with the state's investigation into unpaid claims from the Holocaust era.

The New York State Insurance Department said: "If they don't co-operate, we can suspend their licence. That's our stick and it's a pretty good one. The six companies in the commission have asked for relief from that act."

Jewish representatives on the commission support the stance of the state insurance regulators.

Financial regulators in New York showed their willingness to act over the Holocaust issue earlier this year, delaying the *merger of UBS and Swiss* Bank Corporation while negotiations over a settlement on claims against banks continued. Statewide officials threatened to boycott Swiss banks and other companies if a settlement was not reached. The Swiss banks eventually agreed to pay $1.25bn to Holocaust survivors and Jewish groups this summer.

Class action lawsuits have also been filed against European insurers in the US.

Generali *attempted to negotiate* a separate settlement with survivors earlier this year, agreeing to pay $100m. However, the state insurance regulators refused to ratify it, forcing Generali to join the Eagleburger process.

Eagleburger interview, Page 16

José Miguel Insulza: says there is no danger of a breakdown in diplomatic relations with the UK Picture: Fergus Wilkie

LEGAL EXPERTS IN SANTIAGO SCEPTICAL OVER CHANCE OF A TRIAL

UK rebuffs Chilean offer to try Pinochet at home

By Robert Peston and Mark Mulligan in London and Imogen Mark in Santiago

The UK government rebuffed attempts by Chile yesterday to secure General Augusto Pinochet's release with its suggestions that the former dictator could be prosecuted in his own country for human rights abuses.

Legal experts in Santiago said they were sceptical about the chances of the general being tried in Chile.

In what may be seen as a snub to the diplomatic overtures of the *Chilean foreign minister*, José Miguel Insulza, the British home office in London said the question of whether Gen Pinochet was tried in Chile was irrelevant to the quasi-judicial decision being made by home secretary Jack Straw.

It is not a factor he can take into account unless Chile joins Switzerland and Spain in making a formal request for Gen Pinochet's extradition, a home office official said. He said it was "wishful thinking" on the part of some UK ministers to believe the impasse could be broken by the latest Chilean initiative.

Gen Pinochet, who was arrested in London six weeks ago, faces extradition to Spain to answer charges of torture and genocide of Spanish citizens during his 16-year dictatorship.

Mr Straw has until December 11 to decide whether to proceed with the extradition, which was cleared by the House of Lords last week in a ruling that denied Gen Pinochet sovereign immunity as a former head of state.

"The [Chilean] government can *promise what it likes*," said Hector Salazar, a human rights lawyer in Santiago. "But once Pinochet is back here there is a tacit pact between the government and the military that means he will not be prosecuted."

José Zalaquett, a lawyer and member of the Rettig commission which wrote an official report of human rights abuses under the Pinochet regime, said the chances of bringing the former dictator to trial were "slim, next to nil. But before they were zero". Mr Insulza is expected to meet Doug Henderson, UK armed forces minister, today – the final day of his UK tour before he travels to Spain to lobby the Spanish authorities on the Pinochet case.

Mr Insulza insisted at the weekend that although diplomatic relations with the UK may become "strained", there was no danger of them breaking down.

However, he warned that the future of economic relations between the two countries was out of his government's hands.

"My hope would be that economic relations will not suffer," he said. "*But I cannot tell people* who to do business with."

He said today's meeting with Mr Henderson was a formality, and would not involve talks about specific contracts. The ministry has expressed fears that the Pinochet case could jeopardise lucrative contracts with Chilean armed forces. The Royal Navy at the weekend decided not to take part in a naval regatta off the Chilean port of Valparaiso.

Fate in the balance, Page 4

Deutsche Bank near to closing deal with Bankers Trust

By William Lewis in New York

Deutsche Bank, Germany's largest, is today formally expected to announce its $93 a share, all-cash takeover of Bankers Trust, the eighth largest bank holding company in the US.

The transaction would create the largest bank in the world by assets, the third largest fund manager and the fourth largest global custodian. It would be the largest takeover of a US financial company by a foreign competitor.

Bankers Trust was meeting yesterday lunchtime in New York to approve the approximate $9.7bn takeover proposal.

Earlier in the day, Deutsche's *vorstand – or executive board –* had met to consider formal approval. The banks are planning to announce the takeover in Frankfurt this morning.

Frank Newman, chairman and chief executive officer of Bankers Trust, is expected to join the *vorstand* when the deal closes next year.

Alongside Josef Ackermann, Mr Newman is likely to run the bank's global corporates and institutions arm. This was created by integrating the Deutsche Morgan Grenfell investment bank and the German parent's corporate banking operation.

Unlike the integration of Morgan Grenfell, Deutsche plans to press ahead "speedily" with the full assimilation of BT Alex Brown, Bankers Trust's investment banking arm, one person close to the German bank said yesterday.

Executives likely to play a key role in the integration process are Yves De Balmann and Mayo Shattuck, co-chairman and chief executive of BT Alex Brown; Mary Cirillo, head of Bankers Trust's global institutional services unit; Edson Mitchell, head of global markets for Deutsche; and Mike Philipp, Deutsche's head of global equities.

At the beginning of last week, Deutsche stated that it was in the advanced stages of negotiations to buy Bankers Trust for cash at a proposed price of $93 per Bankers share. On Friday, Bankers Trust's stock price closed at $85⅝.

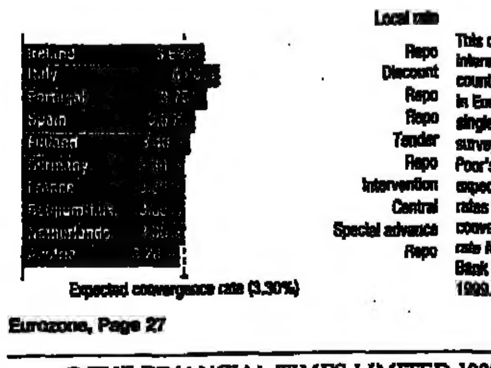
Deutsche and its banking and legal advisers spent much of last week completing its due diligence.

Analysts said they would be looking for Deutsche to disclose today how it intends to finance the acquisition. The German bank said last week that it had no plans to sell its 12 per cent holding in DaimlerChrysler, the recently formed German-US motor company, to help pay for it.

Meetings with the New York State Banking Department and Federal Reserve have already taken place and bank officials have also met leaders of the US Jewish community, which has criticised Deutsche over the Nazi gold issue.

Frank Newman profile, Page 23

EURO INTEREST RATE CONVERGENCE



This chart shows the official interest rates of the 11 countries that will participate in Europe's forthcoming single currency. Analysts surveyed by Standard & Poor's MMS International expect the short-term interest rates of the 11 countries to converge at a 3.30% initial rate for the European Central Bank at the beginning of 1999.

Eurozone, Page 27

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

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WORLD NEWS

EUROPE

Schröder under fire on Ocalan decision

By Tony Barber in Frankfurt

Germany's centre-left government came under an avalanche of criticism at the weekend for its decision not to seek the extradition of the Kurdish rebel leader, Abdullah Ocalan, on charges of inciting his followers in Germany to murder.

The Turkish government, members of Germany's ethnic Turkish community, opposition politicians and the press all found fault with Chancellor Gerhard Schröder and his government for announcing last Friday that Germany would not attempt to put Mr Ocalan on trial.

Mr Ocalan, whose Kurdistan Workers' party (PKK) has fought a 14-year-long war for Kurdish independence or self-government in south-eastern Turkey, was arrested in Rome on November 12.

But Italy's government refuses to send him back to Turkey on the grounds that he could face the death penalty there. German prosecutors issued an arrest warrant for Mr Ocalan in 1990, but Mr Schröder's Social Democrat-led government has decided not to exercise it on the grounds that his extradition would ignite a virtual civil war in German cities between the nation's 2m ethnic Turks and 500,000 ethnic Kurds.

The problem has turned into an unexpected headache for Mr Schröder, who took office a month ago with the aim of improving Germany's strained relations with Turkey and soothing the discontent of Germany's ethnic Turks by enabling more than 1m of them to acquire German citizenship.

Mesut Yilmaz, Turkey's prime minister, expressed impatience with the German government's handling of the Ocalan affair.

"Italy has not had the courage to try this person under its laws, and neither has Germany," he said.

Thousands of ethnic Turks marched through Berlin and other German cities last Saturday demanding that Mr Ocalan be put on trial. Mr Schröder suggested last week it might be possible to try the Kurdish leader in a "European" or "international" court, but his proposal drew scathing comment from politicians and newspapers hostile to his government.

"We issued the arrest warrant. We asked for Italy's help in carrying it out. We cannot now start acting as if we don't have anything to do with it," said Jürgen Rüttgers, deputy chairman of the opposition Christian Democrats' parliamentary group.

The influential Frankfurter Allgemeine Zeitung used the headline "Cowards" to denounce the government's decision not to extradite Mr Ocalan.

Italian newspapers were equally critical.

Turks rail at Gerhard Schröder, German Chancellor, and Joschka Fischer, foreign minister, outside the Italian embassy in Bonn at the weekend. Placard reads: 'Schröder, Fischer supporters of terror?' Reuters

Primakov hits at 'young kids' in the IMF

By Andrew Jack in Moscow

Yevgeny Primakov, the Russian prime minister, has described officials of the International Monetary Fund as "young kids who've seen almost nothing in life", as he prepares to battle for foreign financial assistance in talks with the head of the IMF this week.

Pandering to many Russians who see the IMF's tough fiscal and monetary policies as the root of the country's current crisis, Mr Primakov at the weekend expressed frustration at the Fund's officials on national television. He was scathing towards the IMF "kids", who, "without knowing our situation, start to dictate or recommend some kind of development plans".

Mr Primakov said he "could not accept that there should be insufficient money in circulation" and suggested that the government would print roubles if the IMF did not release pledged credits of $4.3bn.

But in a more conciliatory tone he conceded he was obliged to "listen" to the IMF to get its renewed support and he was aware of risks of "very serious inflation" if an excessive quantity of additional money was issued by the central bank.

Mr Primakov's comments came ahead of talks scheduled for tomorrow and Wednesday in Moscow with Michel Camdessus, IMF managing director. Senior IMF officials are also due to meet in Washington today for a "brainstorming" session with a group of 20 experts on Russia in an effort to consider its future policy towards the country.

Russian ministers and officials were due to meet again today to finalise elements of the government's budget, including a range of controversial proposed reforms to the tax system, designed to help raise the state's revenues and reduce the 1998 budget deficit.

Georgy Boos, head of the state tax service, said on Friday that an outline agreement between his department and the ministry of finance had been reached to cut Russia's current 20 per cent rate of value-added tax to 14 per cent next year and 10 per cent in 2000.

There are also plans to cut profits tax from 35 per cent to 30 per cent, and to reduce social security contributions from 39.5 per cent to 32 per cent in an effort to help persuade more Russians to pay.

However, Mr Boos also said there were proposals to impose not only administrative fines but also criminal sanctions against those who systematically refused to pay their taxes.

How to save Russia, Page 16

Italy seeks to boost take-up of EU funds

By James Blitz in Rome

Italy will this week try to boost its notoriously low take-up of European Union structural funds by setting firm priorities for infrastructure development in the impoverished south of the country.

In the first experiment of its kind to have been held in Italy, cabinet ministers, regional leaders and EU officials will hold a three-day meeting to help define the main development projects which could qualify for around L100,000bn ($60bn) of EU structural funds and domestic grants in the first six years of the next century.

Italy has long been notorious in Brussels for making the worst use of its structural fund entitlement of any EU country.

Planning decisions in the past have been made by Rome on political grounds, while many projects fail because of technical mishaps.

Only around 50 per cent of structural funds available to Italy under the 1994-1999 Community Support Framework have been taken up.

"Ideas have often been put forward that don't get executed and the list of incomplete projects for the south is so great that it has become one of our greatest evils," said Carlo Azeglio Ciampi, treasury minister.

The three-day conference, held in Catania in Sicily, will discuss the merits and failings of around 100 project proposals drawn up by regions and town councils, mainly in the south.

Among those on the list are plans for a bridge across the Messina Straits between Reggio Calabria and the island of Sicily; the creation of a "University for the Mediterranean"; the expansion of Capodichino airport in Naples and a range of badly needed road and rail links.

The successful execution of infrastructure projects is seen by the Italian government as critical to the development of the Mezzogiorno – the south of the country – which has a regional unemployment rate of around 25 per cent, one of the highest in the new euro-zone.

According to Fabrizio Barca, the treasury official in charge of project development, one of the main aims of the new exercise is to get regional leaders to do some hard thinking for the first time about what their development priorities should be.

"Regions that work badly on this are going to get fewer funds and will be held accountable to their citizens," said Mr Barca.

European shipbuilders seek action on S Korea

By Charles Batchelor, Transport Correspondent

European shipbuilders are calling for international action to counter the threat of growing competition from South Korean shipyards.

They are concerned that the IMF loan package to South Korea is being used to shore up shipbuilding capacity by funding cross-guarantees provided by the large *chaebol* to their shipbuilding divisions.

The expansion of shipbuilding capacity in Korea over the past decade and the recent devaluation of the currency, the won, have led to a "dramatic" worsening of the position of yards elsewhere, the Association of European Shipbuilders and Shiprepairers said.

The association called for an effective international agreement to set criteria for capacity and establish comparable accounting standards. Shipyards would be required to provide "transparent" balance sheets and establish "sound" debt-to-equity ratios.

Any agreement would need to include shipyards in China, Japan, South Korea and Poland as well as the European Union and the US, European shipbuilders said.

"Prices offered by the Korean shipyards would not, in most cases, allow European yards to remunerate their workers, once materials are paid for," said Corrado Antonini, association chairman and chief executive of the state-owned Italian shipbuilder Fincantieri.

Shipbuilding industry representatives meeting in Rome recently reached unanimous agreement on the seriousness of the situation, Mr Antonini said.

South Korean prices are up to 30 per cent lower than those in Europe. Moreover, Korean shipbuilders are moving into niche markets including roll-on/roll-off ferries and offshore structures previously seen as a European speciality.

South Korea is the world's second largest shipbuilding nation after Japan with 318 ships of 18.46m gross tonnes on order, according to Lloyd's Register of Shipping.

The rescue earlier this month of Halla Engineering & Heavy Industries, following an agreement by its creditors to restructure the company's debt, has particularly angered the European shipbuilders. Halla pursued an aggressive expansion policy during the early 1990s.

The association said the Halla rescue was being funded by the Korean banking system supported by the IMF loan "and thus by foreign governments, European governments among them". European shipbuilders rescued in this fashion would have been required to cut capacity as a condition of the write-offs, shipbuilding executives said.

"The consequence of [Halla-style rescues] is that Europe is paying the bill, including in the form of unemployment," the association said.

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TMC Mortgage Securities No. 8 PLC

(A company incorporated with limited liability in England and Wales)

Mortgage Backed Floating Rate Notes due 2018

(the "Notes")

NOTICE is hereby given that, in accordance with Condition 5(c) of the Terms and Conditions of the Notes, TMC Mortgage Securities No. 8 PLC will redeem all outstanding Notes on December 31, 1998. The Notes will be redeemed at their Principal Amount Outstanding together with interest accrued to December 31, 1998.

By Order of the Board of Directors

November 30, 1998

SOCIETE GENERALE
USD 500 000 000 UNDATED SUBORDINATED FLOATING RATE NOTES
ISIN CODE : FR0006202550

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Next payment date : May 28, 1999
Coupon nr : 25
Amount :
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NEWS DIGEST

SWISS DECISIVELY AGAINST DRUGS PLAN

Voters reject move to legalise all narcotics

Swiss voters yesterday rejected by a three-to-one margin a proposal to legalise narcotics that backers said would eliminate the drugs mafia but critics said would make Switzerland a drugs haven.

The plan would have made Switzerland the only country in the world where anyone aged 18 or older could buy narcotics of their choice, from marijuana to heroin, from state-run outlets or pharmacies after consulting a physician.

The measure failed to carry any of the 26 cantons reporting, and won the support of only 26.1 per cent of voters. The proposal had been widely expected to fail, but the strength of the rejection disappointed organisers.

Final results from another referendum on yesterday's ballot showed voters approving by a nearly two-to-one spending of SFr30.5bn ($21.9bn) on a network of tunnels through the Alps. **Reuters, Zurich**

EU TRADE REPORT

US 'unilateralism' attacked

The European Union is increasingly concerned over what it sees as the US tendency to take the law into its own hands in trade matters, according to Brussels' latest assessment of transatlantic trade relations.

With the US threatening sanctions against European products unless the EU revamps its banana import regime, the European Commission's annual report on US Barriers to Trade and Investment picks out extra-territoriality and unilateralism as central concerns.

Washington, it says, regularly calls for unilateral measures in trade disputes "based on an exclusive US appreciation of the behaviour of a foreign country . . . without reference to, and sometimes in defiance of, multilaterally agreed rules". **Neil Buckley, Brussels**

Report on United States Barriers to Trade and Investment. European Commission, Brussels. http://europa.eu.int

VENEZUELA PRESIDENTIAL POLLS

Biggest party drops candidate

The social democratic AD party, Venezuela's largest, at the weekend abandoned its own candidate and instead endorsed Henrique Salas Romer (**pictured left**), the former state governor and runner-up candidate, in the December 6 presidential elections. The unprecedented move spearheaded by AD's state governors is an attempt to defeat the front-runner Hugo Chávez, the former coup leader, who threatens to revoke the establishment's economic and political privileges. It also reflects the party's deep-seated credibility crisis and poor standing in the polls.

AD's candidate, Luis Alfaro, refused to step down, however, and will remain as the party's option on the ballots. Critics said it would be undemocratic and misleading to transfer AD's votes to Mr Salas. The association with traditional parties could damage Mr Salas's image as an independent, reform-minded candidate. Opinion polls showed Mr Chávez's lead growing from 5 to 13 points over the last two weeks. **Raymond Colitt, Caracas**

Editorial Comment, Page 17

HONDURAS DISASTER

Authorities evacuate 10,000

Honduran authorities are evacuating more than 10,000 people from the northern town of Choluma out of fear that four days of heavy rains could cause mudslides.

Billy Handal, the Honduran vice-president, said the evacuations that began over the weekend could be extended to other towns on Honduras' Caribbean coast if rains continued as forecast.

This is the second evacuation in a month for the residents of the low-lying parts of Choluma, which is 200km from the capital, Tegucigalpa. Most of the town's 40,000 residents were evacuated because of flooding during Hurricane Mitch a month ago. **AP, Tegucigalpa**

BELGRADE REJECTS PEACE PLAN

Kosovo rebels soften stance

Kosovo Albanian rebels yesterday softened their political demands, but a US-proposed peace plan has been effectively rejected by the Socialist-led government in Belgrade, raising fears among diplomats of a resumption of war once winter is over.

Adem Demacı, a political representative of the Kosovo Liberation Army (KLA), told independent Radio B92 that the rebels were ready "temporarily" to drop demands for full independence if Kosovo was given equal status to the republics of Serbia and Montenegro within the Yugoslav federation.

"This does not mean that the KLA is lastingly giving up its demands, but that it accepts that the final solution is reached step by step," Mr Demaci was quoted as saying. Diplomats noted, however, that as a third republic, Kosovo would in theory have the right to secede, a position unacceptable to both Serbia and Montenegro.

Christopher Hill, the US mediator, has proposed that Kosovo be given a special status within the Yugoslav federation. A rival plan pushed by Belgrade would keep Kosovo firmly within Serbia's jurisdiction.
Guy Dinmore, Belgrade

GERMAN NUCLEAR POWER

Opposition to shutdowns

Employers and trade unions in Germany's nuclear power industry presented a united front yesterday against the centre-left government's efforts to begin the gradual shutdown of the nation's power plants. "We are ready to fight," said Hans Dieter Harig, the chief executive of PreussenElektra, a division of Veba, the giant utility company. Mr Harig is due to represent the nuclear power industry at talks with the government scheduled to open next year.

The environment minister, Jürgen Trittin of the Greens party, has annoyed the utility industry by preparing an amendment to Germany's nuclear power regulations that would authorise shutdowns of reactors from 2002 onwards. Employers and unions say the amendment breaks Chancellor Gerhard Schröder's promise that the industry's future would be decided by voluntary agreement.

Workers' councils at PreussenElektra and other utility companies have threatened to shut down reactors for several hours if the government insists on premature closures of plants. **Tony Barber, Frankfurt**

ECB director predicts greater centralisation in future

Sirkka Hämäläinen, robust defender of the pursuit of price stability as the bank's main objective, talks to **Wolfgang Münchau**

Sirkka Hämäläinen oversees the market operations division of the European Central Bank from her office on the 34th floor of the Eurotower building, overlooking Frankfurt's banking district.

Even once the euro is launched next year, she will by no means be mistress of all she surveys, but in an interview with the Financial Times she said that monetary policy operations of the future euro-zone are, with time, likely to become more centralised.

Ms Hämäläinen, one of the ECB's six executive board members, said the system under which the ECB will operate next year was unique in central banking, in that policy decisions would be taken at the centre while the national central banks remained in charge of policy execution. The result of this is that the national central banks will continue to operate the regular securities repurchase operations, through which they inject money into the economy.

But Ms Hämäläinen said this situation might change in the future: "In the longer run it is likely that the system will concentrate somewhat, even if markets and national central banks were very efficient."

Exactly where the euro-zone's monetary system will concentrate, however, "is impossible to forecast", she said. "It can concentrate in certain national central banks near large financial centres, or it could be centralised in the ECB."

Her comments on the relationship between the ECB and the 11 national central banks touch a sore point. The Bank of Italy and some other large national central banks have made it clear they support a maximum degree of operational decentralisation under economic and monetary union. Critics, however, say a fully decentralised system of monetary policy operations may not function efficiently in the long run.

The larger countries may be happy to see centralisation – but around their own central banks to protect their strong financial centres. The smaller countries tend to favour centralisation in the ECB.

Sirkka Hämäläinen: tough credentials on inflation   Mauritz Hellström

"When I was governor of the Bank of Finland, a small country, my view was that in the longer run – I don't know, maybe 10 years – centralisation should happen to the European Central Bank," Ms Hämäläinen said.

She insisted that there was no consistent division between the 11 national central banks and the ECB. "The main (dividing line) is rather between smaller central banks and the large central banks. And I can also say that we have different views inside the board."

But Ms Hämäläinen also pointed out that the 17 members of the ECB governing council had a long history of mutual co-operation, which has resulted in a strong coherence of views.

Ms Hämäläinen strongly refuted the criticism that the ECB's banking supervisory arrangements were insufficient. Under the present rules, banking supervision remains the responsibility of national authorities – either the national central banks themselves or separate national banking supervisory bodies.

"The ESCB (European System of Central Banks) offers a good channel for information flow in the area of financial market stability, not least because it has a special committee where all the national central banks and national supervisory authorities are members.

"Of course, there is not going to be any formal communication to the market that, yes, we are going to bail you out. Any such measure would always be done *ad hoc*."

She said one role of the ECB would be to act as a catalyst to encourage the involvement of the private sector, as happened in the US in the rescue of Long-Term Capital Management. "Why could the ECB not be able to do the same?"

Ms Hämäläinen, 59, also gave a robust and sober defence of the ECB's pursuit of price stability as its primary policy objective.

During her six years at the helm of the Bank of Finland, a job she held until May this year, Ms Hämäläinen was known as a tough inflation fighter and was credited for having helped secure her country's membership of the single currency.

"An important lesson is that low inflation and a very disciplined fiscal policy are a basic condition for a healthy financial market," she said. "The main problems in financial markets very often result from high inflation. That's why price stability and the credibility of low inflation are so important."

She said the current debate about interest rates ignored the fact that most of the member countries in the single currency had far lower interest rates than the US or the UK.

"One reason for the low interest rate level we have had is that co-ordination between monetary and fiscal policy has been much more efficient, and markets regarded it as much more efficient, and they have seen that the fiscal policies are much more disciplined than before," she said.

Her comments are a signal to governments that the ECB is prepared to be co-opted into close economic policy co-operation with the 11 participating governments, as long as fiscal policy remains tight.

Fate of Pinochet hangs in balance, but not in Chile

14 cases in the courts, but few believe they will result in charges, say Imogen Mark and Robert Peston

A solitary piece of graffiti on the cement banks of the Mapocho river in Santiago proclaims: "Pinochet is innocent!" The statement is a fair reflection of the sentiments of the former dictator's hardcore supporters, but ignores the fact that the general has never formally been charged with any crime within Chile.

If Jack Straw, the UK home secretary, decides on December 11 to turn down an extradition request from Spain and send the general back to Chile, the consensus there is that he will remain uncharged.

There are 14 cases in the Chilean courts which seek to investigate his direct responsibility in the "disappearance" of political prisoners. These cases, brought by families of the disappeared in March after Gen Pinochet left the army command to become a life senator, are among dozens which brought over the years, but *the first which specifically* seek to establish his part in the alleged offences.

During his visit to London, José Miguel Insulza, Chilean foreign minister, has consistently cited the investigations as proof his government is serious about trying Gen Pinochet. However, attempts by the government to raise the profile of the cases have failed. Ten days ago the supreme court turned down a government request it name a more senior judge to take over.

According to Héctor Salazar, a Chilean human rights lawyer, there are "no conditions" to try the general in Chile for crimes against humanity. "The [Chilean] government can promise what it likes," he says, "but once [Gen] Pinochet is back here there is a tacit pact between the government and the military that means he will not be prosecuted."

According to the UK Home Office whether the general faces prosecution in his own country would be irrelevant to Mr Straw's decision, unless the Chilean government made a formal request for extradition. If it did, its *claim would be assessed* alongside the Spanish and Swiss ones.

There were only four general considerations for the home secretary when deciding the general's fate. Of these, three – that the extradition request should have been properly made; that General Pinochet's alleged crimes should not merely be political; and that the offence be extraditable under British law – appear to provide the former Chilean dictator with little hope he is about to be returned home.

According to UK government members, the only possible consideration which would allow Mr Straw to release Gen Pinochet would be his age and ill health, since the UK home secretary had the ability to refuse an extradition request on compassionate grounds.

In Chile the legal outlook is less clear cut. To interrogate Gen Pinochet the investigating magistrate Juan Guzman must get his parliamentary immunity as a senator lifted. This means securing an order from the appeals court, or eventually from the supreme court, if the first court rules against it. To succeed Mr Guzman must produce evidence which links the general directly to the detentions and presumed deaths of the 14 people named. To do so, he must prove they were taken by DINA, the powerful secret police force which operated between 1973 and 1978, and that DINA was responsible to Gen Pinochet.

DINA's demise was partly a consequence of its high-profile assassination of Orlando Letelier, a former Socialist minister, in Washington in 1976, which attracted the wrath of the US government.

According to Mr Salazar, Gen Pinochet could be forced to accept an interrogation. He has the right to name where he will be interrogated: his own home, for example, or army headquarters under the watchful eyes of his top brass.

Mr Guzman is said to be in favour of trying at least to discover the circumstances in which the 14 people died, before applying the amnesty and closing the cases. It will not look much like justice, but it may be the best he can get, says Mr Salazar.

However the legal niceties are played out, public opinion in Chile has hardened against the general. Nearly 70 per cent of Chileans believe "the truth should be established and justice should be done", according to a Mori poll.

But Mr Salazar is not hopeful. Since Gen Pinochet left government nine years ago every attempt to bring him to justice has resulted in case "dismissed," he says. The crudest example he cites was an investigation into an allegedly fraudulent business deal between Gen Pinochet's elder son, Augusto, and the army. Legal proceedings were finally closed on orders of President Eduardo Frei, for "reasons of state".

Pinochet supporters sing the Chilean national anthem during demonstrations in Santiago yesterday AP

'Not enough votes' for impeachment

By Gerard Baker in Washington

Members of the US Congress from both main political parties said yesterday it was unlikely the House of Representatives would impeach President Bill Clinton if it votes on the issue as expected in the next few weeks.

Paul McHale, one of only two Democrats who have called publicly for Mr Clinton to resign over his alleged perjury in the Monica Lewinsky case, and Peter King, a Republican, agreed proponents of impeachment lacked the votes necessary to win.

"My guess is that it would go down on a party-line vote. It would be narrow, it would be close, but it's unlikely that the president would be impeached," said Mr McHale on NBC's Meet the Press.

"I don't believe there are the votes to impeach... There are people like myself who don't believe it rises to an impeachable offence," Mr King said.

The House judiciary committee, in votes expected next week, is still thought likely to approve at least one article of impeachment. The whole House would then vote the following week. If it voted to impeach, Mr Clinton would face a trial in the Senate on whether he should remain in office.

If, as seems increasingly likely, Mr Clinton is not impeached, Congress will consider whether to censure him over the case, in which Mr Clinton has acknowledged misleading the public and the courts over his relationship with Ms Lewinsky.

But the censure option is highly uncertain. Many members of Congress believe such a vote would be a poor precedent to set and could open the way for routine congressional denunciations of federal officials. Even those who back a censure motion cannot agree on what it should say. Mr McHale has proposed a resolution condemning Mr Clinton for "lying under oath", but some Democrats have said they would oppose anything that contained such strong language.

Meanwhile a *leading* Republican senator said the power of appointing independent counsels, such as Kenneth Starr, whose investigation led to the impeachment debate, should be removed from the hands of the attorney general.

Orrin Hatch, the chairman of the Senate judiciary committee, said Janet Reno, the current attorney general, had failed to uphold the law last week when she decided not to appoint a special counsel to investigate allegations of campaign finance abuses by Vice-President Al Gore. "I'll do everything in my power to pass legislation that takes it away from the office of the attorney general," he said on ABC News.

Ms Reno has a chance today to rehabilitate her reputation with Republicans somewhat when she announces her decision on whether to appoint another independent counsel to investigate Harold Ickes, Mr Clinton's former deputy chief of staff, over other allegations of lying and campaign funding abuses.

Business fails to stem Quebec's separatist tide

By Edward Alden in Montreal

When earlier this year Quebec's business leaders thought the separatist government of Lucien Bouchard would easily be re-elected, they urged the opposition Liberal party leader, Daniel Johnson, to step aside and make way for Jean Charest, then leader of Canada's federal Conservative party.

The passionate Mr Charest had been credited with saving the country in the sovereignty referendum of 1995, when his moving pleas for Canada touched the hearts of many Quebeckers and helped preserve a narrow victory for the federalists.

He had the aura, the image of a winner, says Ghislain Dufour, who led Quebec's strongest business group for 30 years and is now a consultant with the Montreal public relations firm National. But now, on the eve of Quebec's provincial election, Mr Charest's aura has faded and the business leaders who urged him back to Quebec are nowhere to be seen or heard. The gamble that Mr Charest would end the separatist threat is now looking like a failed ploy that may in fact make Quebec's separation from Canada more likely.

The latest polls show the Liberal party trailing Mr Bouchard's Parti Québécois (PQ) by as much as 7 points. With Liberal support heavily concentrated in a small number of non-French speaking constituencies, the PQ looks poised for a landslide victory. Yet strangely there is little sense of panic, or even much concern, from a business community facing four more years of the constant threat that Quebec may secede from Canada.

"The dominance of separatist governments has become a little bit of a fact of life," says Jacques Garon of the Conseil du Patronat, representing Quebec's largest companies. "You have no choice but to adapt."

While Quebec's business community is staunchly pro-Canada, and would dearly love to see the PQ defeated, the risks of a vigorous public effort to defeat the government are seen to outweigh the rewards.

Charles Sirois, president of Teleglobe, the telecommunications company, tried with little success to recruit strong business candidates for the Liberals, but has kept a low profile in the campaign. Only Laurent Lemaire of Cascades, the forest products group, has openly endorsed Mr Charest.

There are several reasons *for the silence.* With the Quebec government accounting for more than half the province's economic activity, companies simply cannot afford to antagonise the government. "The day after the election we have to knock on the door of Lucien Bouchard and Bernard Landry [the finance minister] and continue to do business," says Mr Dufour.

Second, despite Quebec's high taxation levels and heavy regulation, most businesses are not unhappy with the Bouchard government. It has nearly balanced the budget by making politically difficult cuts in social spending and Montreal, the business centre, is being revitalised by fast-growing aerospace, pharmaceutical, biotechnology and software companies.

Mr Charest's campaign stumbled from the outset. He initially promised to cut taxes by one-third and curb the economic scope of the provincial government. The platform, while popular with companies that have Canada's heaviest tax burden, did not appeal to most Quebeckers, comfortable with a European-style activist state that includes a powerful role for the province's labour unions.

In the waning days of the campaign, Mr Charest has been reduced to a single note, promising no more referendums in an effort to persuade the two-thirds of Quebeckers who say they do not want another vote on sovereignty at this time. But his last-minute pleas have been ineffective.

"He made some bad decisions, and all of a sudden everybody disappears," says Yvon Cyrenne, a senior associate at the accounting firm of Raymond Chabot Grant Thornton. "I think business people are looking at Bouchard and saying he's not that bad."

All that harmony would evaporate overnight, however, if Mr Bouchard renewed the drive for separation. The premier has been sufficiently ambiguous, saying *he will hold* another referendum only if there are winning conditions, that many Quebeckers think another referendum is unlikely. Mr Garon warns that companies that have been non-partisan in the election would champion the fight against separation.

But they may have already spent their best weapon. If Mr Charest suffers a humiliating defeat, his ability to lead the pro-Canada forces in the next referendum will be seriously weakened.

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Sharon presses for withdrawal from Lebanon

By Avi Machlis in Jerusalem

Ariel Sharon, Israel's foreign minister, was yesterday trying to persuade ministers to consider a staged unilateral withdrawal from Israeli-occupied south Lebanon, ahead of an emergency cabinet meeting to rethink Israel's policy there.

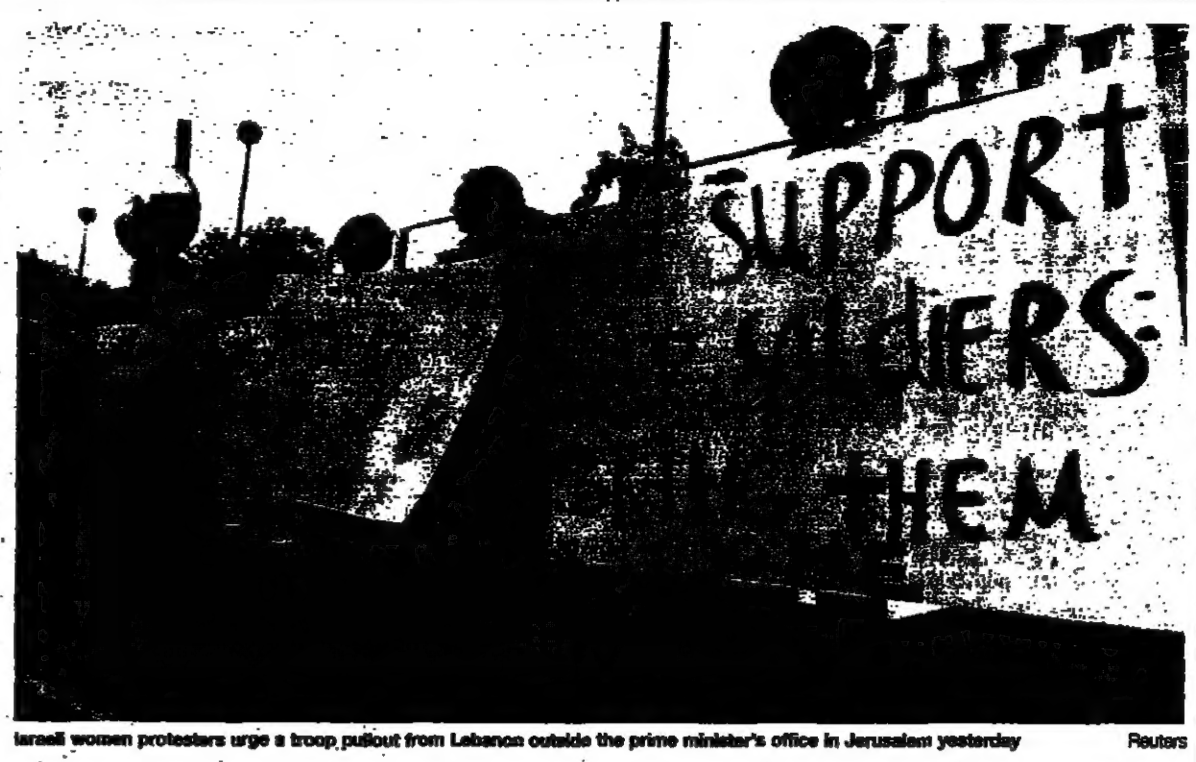
So far, only a small minority of ministers support the initiative, and the army objects to the plan. But Mr Sharon's campaign is likely to intensify after the government concedes the failure of its previous proposal, which envisaged a troop withdrawal in exchange for security guarantees by Lebanon.

Mr Sharon, who as defence minister was responsible for the 1982 invasion of Lebanon, may yet emerge as the man capable of persuading the government to withdraw its troops.

According to Mr Sharon's initiative, an Israeli withdrawal would include a clear warning to Lebanon that Israel would respond to any post-withdrawal attack with a tough counter-attack.

In public statements yesterday, Mr Sharon said he was in favour of "separating" peace negotiations with Syria from efforts to reach a solution in Lebanon. However, Benjamin Netanyahu, Israel's prime minister, insisted Israel would leave Lebanon only with an "arrangement" to guarantee its security.

Earlier this year, Israel proposed pulling its troops out of Lebanon on the basis of UN resolution 425. The UN resolution, issued in 1978, calls for Israel's immediate withdrawal from southern Lebanon. Israel has said it is willing to withdraw, but only with negotiated security guarantees. Lebanon and Syria have rejected Israel's proposal, saying the UN resolution clearly states Israel's obligation to withdraw immediately and unconditionally.



Israeli women protesters urge a troop pullout from Lebanon outside the prime minister's office in Jerusalem yesterday Reuters

By tabling the withdrawal proposal, Mr Sharon has sparked a new debate in a cabinet increasingly flustered by the military successes of Hizbollah, the Lebanese Shia Islamist movement fighting to force Israel from its "security zone" in southern Lebanon.

Yesterday's emergency meeting followed the death of seven Israeli soldiers in southern Lebanon over the past two weeks. Israeli troops clashed with Hizbollah in southern Lebanon yesterday.

The casualties also revived a debate in Israel, with the public growing increasingly weary of Israel's presence in Lebanon, officially aimed at protecting towns on Israel's northern border.

A Gallup poll published at the weekend in the Israeli daily Ma'ariv showed Israeli support for unilateral withdrawal had grown from 20 per cent in September 1997 to 40 per cent last week.

"For the first time, the government is starting to realise that it may pay a price for staying in Lebanon," said Yossi Beilin, an opposition Labour deputy who heads a movement which supports unilateral withdrawal from Lebanon.

Kenya names bank debt politicians

By Mark Turner and Michael Holman

Western donors yesterday welcomed the Kenyan government's dramatic decision to name leading politicians who are among the debtors of troubled local banks.

A list released late on Friday by the Central Bank of Kenya, and published in local papers, includes Nicholas Biwott, one of the country's most powerful cabinet ministers, and Raymond Kipruto, a son of president Daniel arap Moi among ministers, members of parliament, and leading businessmen with shares in companies owing substantial amounts to troubled banks.

According to the central bank list, Mr Biwott, minister for East African co-operation, owed the failed Trade Bank Ks706m ($11.8m).

The disclosure of the names is seen by donors as evidence of tougher financial discipline before next month's talks on the renewal of a $220m IMF loan programme, suspended in mid-1997 after the government failed adequately to address Fund concerns about corruption.

"It is a welcome step," said a leading donor official last night, "but we will want to see it followed up."

"The list of 87 debtors reads like a Who's Who of Kenya's political and business landscape," commented the Daily Nation, a Nairobi daily paper.

Last week the government mounted a Ks2bn ($33.6m) rescue operation for the National Bank of Kenya (NBK) after a run on deposits. Between them the listed debtors owe the NBK more than Ks8.4bn. The bank, in which the government has a minority stake, is the country's fourth largest.

Last Monday the Central Bank appointed a debt adviser to the NBK, and executors say the bank has regained stability. "Naming politically correct persons signals a new ball game for NBK," Andrew Hamilton, the new adviser, said.

"I think the government wants to say that the National Bank will no longer play it politically any more. It has to run commercially."

A series of court injunctions have held up efforts to recover the money. "It will obviously step up the momentum of repayment," said Mr Hamilton. "The fact that the public is fully aware might influence the court to stop giving out injunctions that unfairly delay debt recovery."

Simeon Nyachae, minister of finance, said a cash injection would be paid to NBK as partial compensation for around Ks3.1bn in non-performing loans taken out by state-owned companies between 1990 and 1993.

Opposition MPs and church leaders over the weekend demanded the resignation of public figures on the central bank lists.

Unions to challenge Zimbabwe ban on strikes

By Tony Hawkins in Harare

Zimbabwe's trade unions will go to the courts today to challenge a government ban on strikes announced at the end of last week. The ban, referring specifically to strikes designed to exert political pressure, was imposed in an attempt to break the series of weekly one-day stoppages by the Zimbabwe Congress of Trade Unions.

The unions cancelled last Wednesday's stoppage pending today's meeting of the tripartite committee representing government, employers and the unions. With legal experts saying the government ban was unconstitutional, the unions are keen to get a court ruling before calling further stayaways.

The government's decision to impose the ban underlines its growing sense of desperation in the face of hostile diplomatic and media reaction and deepening gloom in the business community.

No one expects today's tripartite meeting to achieve anything, though some business leaders will use the chance to warn the government that a ban on strikes is counter-productive.

After the meeting the government is expected to declare its hand on foreign exchange policy at a meeting between the governor of the Reserve Bank of Zimbabwe and bank chief executives. Bankers predict that some exchange controls will be re-introduced, possibly including an attempt to peg the exchange rate of the Zimbabwe dollar to between Z$25 and Z$27 to the US dollar compared with a current free market rate of Z$37.3.

President Robert Mugabe is planning to break his journey in London after attending the Paris Africa summit. Although it is not an official visit he is expected to raise the issue of British funding for Zimbabwe's land resettlement programme.

Mr Mugabe insists Britain has yet to meet in full its pledge at the 1979 Lancaster House conference, which led to the country's independence, to assist in the cost of a redistribution programme.

Australian to monitor E Timor troop activity

By Gwen Robinson in Sydney

Indonesia has approved an Australian government request to send a military representative to East Timor to monitor troop activity, John Moore, Australia's defence minister, said yesterday. B.J. Habibie, the Indonesian president, agreed to the request during talks with Mr Moore in the port city of Surabaya at the weekend.

The public nature of the request – and its approval – were unusual, given the Indonesian government's sensitivity over East Timor and frequent charges by human rights groups of military brutality on the island. US government officials recently expressed concern about renewed violence in East Timor, citing "credible reports" of civilian deaths during recent military activity.

Australian officials said Mr Habibie's decision highlighted Canberra's policy of "positive engagement" with Indonesia's armed forces. They said it also showed that the "special relationship" between the two countries' armed forces had not been damaged by Australia's cancellation earlier this year of exercises involving its Special Air Service and Indonesia's Kopassus special forces, which were implicated in human rights abuses. But critics said the visit would put Canberra in an awkward position if there were adverse findings.

A military attache from Australia's embassy in Jakarta would visit East Timor from Tuesday and would have "unrestricted access" to examine troop numbers, force structure and deployment, Mr Moore said. The attache would also look at the relationship between the Indonesian troops and local communities, and would "report back any other sensitive matters he might pick up," he added.

Mr Moore, who took the defence portfolio last month, said Mr Habibie had rejected a request for an Australian government official to investigate the deaths of five Australian journalists in East Timor in 1975. The Australian government recently re-opened an inquiry into the deaths after a Timorese witness came forward and accused Yunus Yosfiah, Indonesian information minister, of ordering the killings when he was special forces commander in East Timor in the 1970s. An official Australian report in 1996 said the journalists were caught in crossfire during a border skirmish on the island.

Mr Moore said he had "forcefully put" Australia's human rights concerns about East Timor to both Mr Habibie and General Wiranto, the Indonesian defence chief. But he did not discuss the Australian parliament's decision last week to launch a Senate inquiry into policy on East Timor.

Mr Moore urged the inquiry to display "sensitivity" toward the Indonesians. "We all want to know the truth, but at the same time, it's no good going around letting go a whole lot of red herrings which ultimately only embarrass Australia," he said.

Indonesian forces invaded East Timor, a former Portuguese colony, in 1975. Jakarta annexed the territory a year later, a move not recognised by the United Nations.

CONGO CONFLICT CAUTIOUS FRENCH CLAIM IMPORTANT PROGRESS

African states agree ceasefire in principle

By Robert Graham in Paris

A fresh attempt at resolving the conflict in the Congo has been taken with an agreement in principle on a ceasefire by the main states backing the regime of Laurent Kabila and the rebels opposing him.

The accord follows intense diplomatic activity over the past four days in Paris on the sidelines of the 20th France-Africa summit attended by 49 African leaders plus Kofi Annan, the United Nations secretary-general. However, French officials remained cautious yesterday while saying important progress had been made to end the rebellion.

The main doubt focused on the rebels fighting against Mr Kabila who hold large tracts of territory in the east of the Congo bordering Uganda and Rwanda. A delegation from the rebel Movement for Congolese Democracy (RCD) was in Paris during the summit but was not accorded official status.

A rebel spokesman said yesterday the Paris accord had no validity. The first step had to be a deal between the rebels and the Kabila regime in Kinshasa, which the RCD labelled a "dictatorship".

But over the weekend it was far from clear what degree of autonomy the rebels enjoyed from their backers in Uganda and Rwanda. The biggest breakthrough in the diplomatic contacts in Paris was the apparent willingness of Pasteur Bizimungu, the Rwandan leader, and Ugandan president Yoweri Museveni, to back a ceasefire agreement.

Their commitment was highlighted over the weekend by the UN secretary-general. Mr Annan helped broker tense contacts between Mr Kabila and President Museveni, his former mentor, who was an important backer of his bid to topple the corrupt Mobutu government in Kinshasa.

At the beginning of September an abortive regional summit was staged at Victoria Falls in Zimbabwe, and until now both Rwanda and Uganda have been reluctant to admit the extent of their involvement in backing the Congolese rebels. In contrast Angola, Namibia and Zimbabwe have made no secret of their despatch of troops and military equipment to help bolster Mr Kabila.

The next step is expected to be a meeting in the Zambian capital, Lusaka, in early December at which the ceasefire will be initialled. This will then be signed at a special session of the Organisation of African Unity in Ougadougou, the capital of Burkino Faso, on December 17-18.

The agreement centred on a withdrawal of all outside forces and the subsequent despatch of an African peacekeeping force, hopefully to be funded by the UN. The peacekeeping force would primarily guarantee the frontiers between Congo and Rwanda and Congo and Uganda, while monitoring the movement of Rwandan Hutu rebels with bases inside the Congo.

If the weekend accord is consolidated it will mark an important achievement for French diplomacy. Less than a year ago Paris was seen to have lost a traditional sphere of influence with the overthrow of President Mobutu and the arrival of Mr Kabila backed by US-assisted allies. Mr Kabila threatened to take the Congo out of the association of francophone states, and lambasted Paris with accusations of neo-colonialism.

STATE ELECTIONS REVIVED PARTY UNDER SONIA GANDHI MAKES ITS BEST SHOWING FOR DECADE AND DEALS A HEAVY BLOW TO THE BJP

Congress makes a comeback in India

By Mark Nicholson in New Delhi

A jubilant Indian Congress party was yesterday hailing its best electoral showing in more than a decade after sweeping Bharatiya Janata party (BJP) governments from power in two state elections while unexpectedly holding on to power in a third state ballot.

Congress scored a crushing victory in Rajasthan and swept to power in Delhi – both traditional BJP strongholds – while winning a surprise majority in Madhya Pradesh state. Congress lost power in the smaller, and less politically critical, state of Mizoram in the north-east.

Congress headquarters in Delhi were a festival of dancing and banner-waving as activists hailed the result as Congress's best since Rajiv Gandhi, the former Indian prime minister, swept back to power in the mid-1980s. The results are a sharp revival of fortunes for the party, which ruled India for 45 years but which appeared moribund a year ago.

Though the state polls have no direct bearing on the BJP-led central government coalition, the nationalist party's severe reverse at the polls and the resurgence of Congress, the biggest opposition party and India's oldest party, presage a further period of political instability in Delhi, with the BJP's fragile 18-party coalition certain to come under intense pressure.

The polls have been widely viewed as a referendum on the performance of the eight-month-old BJP coalition. Congress hailed the result as a "very strong anti-BJP vote". The BJP holds just a thin parliamentary majority and is already beset with infighting among coalition members.

However, Sonia Gandhi, the Congress president, who took the ailing Congress party's helm in April and is widely credited with restoring its discipline and motivation, said she would not hurry to destabilise the BJP-led central government.

Mrs Gandhi, the Italian-born widow of the former Congress prime minister Rajiv Gandhi, said the party would wait to see if the BJP coalition collapsed, rather than try to precipitate moves to topple it.

"We don't believe the Congress party is now in a position to bring down the government," said Jairam Ramesh, a Congress party secretary. "Our political reading is that we should come to power in a clean manner."

Atal Behari Vajpayee, the BJP prime minister, said at the weekend that the sharp poll reversal would not affect his administration. He told foreign investors, gathered for this week's World Economic Forum meeting in Delhi, that volatility in Indian politics would have "no fundamental impact on the process of economic reforms in this country".

Nevertheless, a clearly rattled BJP summoned leaders of its regional allies for meetings to shore up support, with the winter session of parliament due to open today. Some coalition partners have publicly criticised the BJP central government for poor administration and, in particular, presiding over steep vegetable price rises in the past few weeks – the dominating issue in the state elections.

The election result seems certain to galvanise other opposition groups against the BJP during the parliamentary session. Some have threatened to table a motion of no confidence immediately parliament reopens.

Whether or not the government is so tested, a politically stormy session – with just 18 working days scheduled – may threaten passage of a number of long delayed and economically important bills. These include bills to open the insurance sector to private and foreign groups, moves to amend trade patent laws in line with World Trade Organisation obligations, and new laws to update antiquated foreign exchange controls.

Sonia Gandhi, Indian Congress party leader, greets delighted supporters in New Delhi yesterday AP

Malaysia slips deeper into recession

By Sheila McNulty in Singapore

Malaysia's recession deepened further in the third quarter, when the economy contracted 8.6 per cent on an annual basis, the country's central bank announced at the weekend.

Bank Negara indicated that it would have to revise its forecast of a 4.8 per cent decline in gross domestic product for the year.

Manufacturing, which accounts for a third of GDP, was largely to blame, shrinking 14.3 per cent in the third quarter.

It is too soon to use the figures to judge Malaysia's unorthodox route out of its economic crisis, analysts say. Under the high-profile leadership of Mahathir Mohamad, the prime minister, the country has eschewed help from the International Monetary Fund, imposed capital controls and pegged its currency. This, it hopes, will make it possible to pursue unconventional policies without enduring the punitive reactions of the markets that have plagued other crisis-ridden countries in the region.

In neighbouring Thailand, which has pursued an orthodox IMF recovery strategy, official figures show that the economy will contract by at least 7 per cent in 1998.

Economists say that it is next year's figures that will count in any judgment about which economic strategy has proved the more effective.

Malaysia's central bank governor, Ali Abu Hassan Sulaiman, insisted recent improvements in export growth, sales of passenger cars, and an increase in loan approvals indicated the contraction had bottomed out. "It looks as if the worst is over and we can look forward to a gradual recovery of the economy," he said.

But economists remained cautious. Although they agreed there were some encouraging signs they are worried about the banking system, which went into the crisis with domestic debt at 170 per cent of GDP, the highest ratio in south-east Asia.

Some economists fear, instead of paving the way for a thorough clean-up of the banking and corporate sector, Malaysia's foreign exchange controls are enabling the authorities to employ unorthodox means to save even the most poorly managed institutions, which will make it more difficult to achieve sustainable recovery.

Bankers say the central bank has threatened to sack them if they do not provide 8 per cent loan growth by year's end, a target which would force many to lend to unworthy borrowers. The authorities changed the classification of non-performing loans to those in default for six months, instead of the internationally recognised three, to convince banks they are in a good position to lend.

The central bank insists that the banks are being too cautious and that it is well on its way to reviving the banking system. Thirteen of the 36 banks have signed agreements to sell M$18.8bn ($4.9bn) in non-performing loans (36 per cent of all non-performing loans at the end of September) to a company established by the government to buy and revive them. The agency established to recapitalise the institutions has put M$4.55bn into nine of them.

Analysts say Malaysia is desperately seeking foreign money to complete its revival but refuses to seek IMF assistance, open further to direct foreign investors, or pay the premium demanded by global bond markets.

Manila economy beats market forecasts

By Tony Tassell in Manila

The relative resilience of the Philippine economy in the face of the Asian economic crisis has been highlighted by the release of better-than-expected economic data for the third quarter.

The gross domestic product data confirmed the economy had slipped into a mild recession but had been spared the worst of the economic turmoil.

The data showed the Philippines' GDP contracted by a marginal 0.1 per cent in the third quarter, compared with a year earlier. After a 0.8 per cent fall in the second quarter, compared with a year earlier, this meant the economy had technically slipped into recession under the definition of two successive quarterly contractions.

The result was much better than the markets expected. The economy would have performed even better in 1998 but for a drop in agricultural output caused by a bad drought.

The government has argued that the Philippines has technically in fact escaped recession, pointing to gross national product data, which is more widely used in the country as it includes income from overseas workers, a significant factor in the economy. After a 0.3 per cent contraction in the second quarter, GNP rose by 0.8 per cent in the third quarter, compared with a year earlier.

"The Philippines is now virtually assured of a positive-GNP growth this year," Felipe Medalla, economic planning secretary, said.

For the nine months to September 30, GNP grew by 0.8 per cent while GDP expanded by 0.2 per cent. For the full year, the government expects GNP to rise by 0.5 per cent to 1 per cent.

Key factors behind the Philippine economy's resilience has been strong export growth of nearly 19 per cent in the nine months to September, continued growth in personal consumption and a rise in remittances from the more than 4m Filipino contract workers abroad.

Beijing spurs drive for business 'divorce'

By James Kynge in Beijing

China has stepped up its drive to divorce government from business with an order that the ruling Communist party and state organisations sever links with enterprises starting next year.

The decree, which follows a similar drive since the summer to eject the army, police and judiciary from business, has been issued before. But this time it appears more forceful, even though details of how it is to be implemented are scant.

A first step will be to place China's largest 512 state enterprises, currently controlled by ministries and other government bodies, under supervision by a newly established "large enterprise work committee", itself a government body, the official media said.

There was no mention of what would happen to earnings or losses following transfer to the committee. Loss-making large enterprises are kept afloat by bank lending, often on government instructions. It was not clear if this would gradually cease, leading to the bankruptcy of some of China's biggest companies.

China has slowed its reforms of large state-owned enterprises this year out of fear mass closures might lead to surging unemployment and instability. Analysts believe the new drive is unlikely to lead to a spate of bankruptcies, but more mergers are a possibility.

Financial firms tied to the bureaucracy are to be run temporarily by the finance ministry and central bank.

The Communist party's influence has already declined with the rise of private enterprises, where party secretaries have little or no role and if implemented the new decree would be a further blow to its prestige and influence.

The reports said the aim was to curb corruption, boost competition and end favouritism in lending, share listing rights, foreign investment and tax collection.

Business travel: Shanghai, Page 14

هكذا من الاهل

Malaysia slips deeper into recession

Ministers move on EU tax breaks

By Robert Peston,
Political Editor

The British government's freedom to use taxation as a tool of industrial policy is likely to be severely circumscribed by its support for an end to "unfair" tax competition between European Union countries.

Ministers have disclosed that they are prepared to risk the wrath of UK Eurosceptics by signing up to proposals for greater "co-ordination" between member states over the tax breaks available to particular industries.

This could mean that the chancellor's support for the British film industry, announced shortly after the general election, would have to be reversed.

It would also add new complexity to its aim of using the tax system to promote high-tech industries and could prevent John Prescott, deputy prime minister, from carrying through plans to reduce the tax burden on the shipping industry.

However, the government recognises that its progress in playing a more influential role in the European Union is being undermined by the perception that it will veto all attempts to streamline taxation across the EU.

Over the past fortnight, Gordon Brown has said he would block any EU initiative to impose minimum corporation tax rates across the Union, in line with the manifesto pledge of the new German government.

"We have to start saying more than 'no' and start making constructive suggestions in this area," said a minister. "Otherwise our European partners will begin to question whether we are really so different from the Tories."

Later this week, an EU finance ministers' group, chaired by Dawn Primarolo, the junior Treasury minister, will publish its preliminary views on a code of conduct to stamp out "harmful" tax competition.

This will form the basis of negotiations on the abolition of "tax subsidies" and elimination of tax havens within the EU and its dependent territories.

There is a growing realisation among ministers that some forms of tax harmonisation in the EU could be beneficial to the UK. For instance, a move to common rates of excise duties would be welcomed by the brewing and tobacco industry – and would raise tax revenues – because it would destroy the black market in beer and cigarettes smuggled to the UK from France.

The government's plan to introduce an environmental charge on high polluting industries would also be helped if it were implemented in tandem with other EU members. This would minimise the risk of British polluters moving operations elsewhere in Europe.

However, there is growing frustration in Downing Street that the Treasury has been slow in making a positive case for limited tax harmonisation.

Sterling pounds up the bond market charts

Decline in government borrowing makes currency attractive, **Edward Luce** reports

Something unusual is happening in the sterling bond market. Borrowers such as BMW, the German car maker, the Tennessee Valley Authority of the US, the World Bank and the European Investment Bank are turning to sterling as their currency of first choice in which to issue international bonds.

This would be remarkable under normal circumstances. But, six weeks before the launch of Europe's single currency, it is also quite unexpected. "Sterling is undergoing something of a renaissance in the international bond markets," said a US banker in London. "It is actually becoming popular among borrowers."

Bankers attribute sterling's appeal to the steep decline in UK government borrowing in the last two years. This year the volume of gilts issued by the UK's debt management office, an independent agency accountable to the Treasury, will be lower than last year as a result of the net redemption of gilts by the government. This means there will be a reduction in the volume of outstanding gilts in the £300bn market.

This has two immediate effects: first, by reducing the supply of government bonds, the price rises while the yield correspondingly falls; second, it encourages other borrowers, including recently the Inter-American Development Bank and a roll-call of European and US banks, to step in to fill the UK government's shoes.

Bonds issued by the likes of Fannie Mae, the US federal mortgage agency, are designed as "surrogates" for UK government gilts. This means investors can be sure the bonds are large enough to be easily bought and sold while also being a safe enough home to park some of their money. Like the UK government, Fannie Mae and multilateral agencies such as the World Bank have a AAA credit rating, meaning they are of the highest creditworthiness.

"It is clear that some of the increase of issuance of sterling bonds by international borrowers is attributable to the reduction in gilt issuance by the UK government," said Paul Mills of the debt management office.

Perhaps more importantly, international investors are beginning to see sterling as a natural hedge against any volatility in the future euro-zone after monetary union in January. Although the UK government has a higher credit rating than the overall average for the euro-zone (with countries such as Italy rated at AA–), UK 10-year government bonds still yield almost a full percentage point more than German government bonds.

This, combined with the UK being alone among the largest European economies in reducing its gross issuance of government bonds, means investors see good value in the gilt market.

However, the UK gilt investor still faces two problems. First, the reduction in the supply of gilts is dependent upon the accuracy of the economic forecasts of Gordon Brown, the chancellor. Mr Brown predits growth of 1 to 1.5 per cent in gross domestic product next year. Many economists see this as optimistic. Should growth be lower than forecast, government debt would almost certainly rise, triggering a corresponding increase in the supply of UK gilts.

Second, the government's indecision on the timing of UK entry into the single currency is acting as a check on foreign investors. Because of this, UK government bond yields are still higher than those of Italy, for example, or even Portugal in spite of the country's superior creditworthiness. Indeed, the yield on the 10-year government bond is the highest in the developed world, an irony that has not escaped UK pension funds and other long-term investors.

"For UK investors the big rally in gilts is yet to come," said one leading fixed income manager. "If Emu goes wrong, gilts will benefit from being the natural hedge. If Emu goes right, the price of government bonds will shoot up as the yield converges towards the German benchmark. Either way you win."

Financial assets of wealthiest 'set to hit £2,000bn'

By Christopher Brown-Humes
in London

Britain's wealthiest individuals will hold financial assets worth £2,000bn ($3,320bn), three times last year's £680bn, by 2005, according to a new report. Over the same period, the number of adults with more than £50,000 of financial assets will rise from 4m to 5m.

The report, for Merrill Lynch by Gemini Consulting, says the growth in wealth will be driven by a rising UK population, and maturing baby-boomers; larger inheritances; increased job mobility; and increased emphasis on private rather than state pension provision.

It forecasts increasing investment in shares and bonds at the expense of cash deposits and expects personal pensions to grow faster than occupational schemes.

Financial assets include pensions, deposits, and investments but exclude property and collectibles. In 1997, personal and occupational pensions accounted for about 35 per cent of all personal financial assets, followed by cash deposits (21 per cent) and directly-held UK securities (20 per cent).

● Consumer spending during the Christmas period in the UK is set to increase by nearly a quarter from last year's total, according to a survey commissioned by a credit card company, writes Alan Beattie. The poll, by NOP Solutions on behalf of the Goldfish credit card, indicates average Christmas-related consumer expenditure of £570 during the festive season this year, 23 per cent up on 1997.

This contrasts sharply with the picture of confidence measured by more established surveys, which show a steady fall in consumer sentiment throughout the year.

NEWS DIGEST

BUSINESS

Move to cut politicians out of mergers decisions

Peter Mandelson, the trade and industry secretary, is to take the first step towards removing the politics from the regulation of takeovers and mergers. The move would end ministers' power to intervene in such controversial cases as BSkyB's proposed takeover of Manchester United.

Supporters of the reform see it as a natural follow-up to the removal of politics from the setting of interest rates. It would be widely welcomed by business.

Under the most radical proposal, ministers would be totally stripped of influence over mergers, leaving decisions on whether to allow bids entirely with the Office of Fair Trading and the Monopolies and Mergers Commission. Mr Mandelson is planning to issue a consultation document in the new year laying out the options for reform. **David Wighton, London**

ECONOMY

Pay deals stay above inflation

The level of wage settlements is not falling into line with inflation despite the growing threat of recession, according to data published today by Incomes Data Services, the independent employment information company.

IDS says that while the annual rate of inflation fell from 4.2 per cent in the year to May to 3.1 per cent by October, three quarters of all new pay deals gave increases of between 3 and 4.5 per cent. Two thirds of the 35 wage awards recorded by IDS made in the fourth quarter were worth 4 per cent or more, compared with just under half the settlements made in the third quarter.

IDS cautioned that the fourth quarter data were "not a sign that settlements are headed on an upward trend", because in the last three months of the year only one in 10 reviews took place. **Robert Taylor, London**

MILLENNIUM DOME

Minister accused on sponsors

The opposition Tory party last night accused Peter Mandelson, trade and industry secretary, of misleading parliament when he denied he had ever been involved in "procuring or negotiating sponsorship deals" for the Millennium Dome, the exhibition centre being built in south-east London at a cost of more than £700m ($1.16bn). Christopher Chope, the Tory party trade spokesman, is also writing to Sir Richard Wilson, the cabinet secretary, asking him to strip the trade secretary of his responsibility for the dome.

The move follows the disclosure that Mr Mandelson had encouraged two Indian entrepreneurs, the Hinduja brothers, to contribute £3m to the Dome's Spirit Zone. Mr Chope said this showed there was a "clear conflict" between Mr Mandelson's work as trade secretary, where he is obliged to deal impartially with all companies, and as lead minister on dome preparations.

Mr Mandelson insisted last night there was "no conflict of interest". His role was to "promote the dome to the private sector because we need the sponsorship but I do not involve myself in the procurement or negotiation of individual sponsorship contracts". **Robert Peston, London**

Aerospace sector fears funding cut

By Alexander Nicoll,
Defence Correspondent

Fears are growing in Britain's aerospace and defence industry that the government is cutting funding of research into developing new technologies.

The Society of British Aerospace Companies, an industry body, has made representations to Peter Mandelson, trade and industry secretary, about the possible elimination of an annual £24m ($39.84m) Department of Trade and Industry programme to fund aeronautics research.

The DTI said no decision had been taken. Mr Mandelson would consider the future of the Civil Aircraft Research and Technology Demonstration programme within the framework of the competitiveness white paper.

David Marshall, SBAC director-general, said UK public investment in aerospace research and technology was much lower than in Germany and France. The Carad programme helped to fund the earliest stages of innovation which, years later, maintained the UK industry's production base. "It would be difficult to reconcile a reduction with the focus in the recent strategic defence review on the need for modern technology in warfare and on smart procurement."

Restructuring of the Airbus consortium and rationalisation of Europe's defence industry would create greater flexibility in decisions on where to source manufacturing. Production would gravitate to countries that invested.

Although the Carad programme was relatively small, companies would tend to concentrate research spending in those countries with the most favourable conditions for investment. "You can take money out of budgets and see no immediate effect. But given the long cycles of the industry, you would see the effect 20 years later," Mr Marshall said. The Airbus wings produced by British Aerospace were developed partly through government research many years previously.

Rolls-Royce, maker of aircraft engines, which has benefited from government research, said it backed continuing Carad. "Our competitors receive significantly more technology funding than we do," it said. It estimates that $750m of official investment is going into the US aeroengine industry.

England 'must be split in to regions'

By George Parker,
Political Correspondent

England must be abolished as a political entity to save the United Kingdom, a leading Liberal Democrat will argue today.

Lord Newby, a close aide to Paddy Ashdown, leader of the Liberal Democrats, will argue that England should be broken down into its constituent regions, with a series of new assemblies.

In a pamphlet published by the Centre for Reform, a Liberal Democrat think-tank, he will argue that an English parliament would be over-powerful and could not run in tandem with a UK parliament.

"We must avoid having parallel English and UK governments, with an English prime minister jostling with the UK prime minister. Such an unstable situation would surely spell the end of the UK. We must therefore harness the English regions to save the UK."

His diagnosis broadly reflects Liberal Democrat thinking, and dovetails with the Labour manifesto, which commits the government to English devolution.

However, Tony Blair, the prime minister, has decided to put plans for elected English regional assemblies on the back burner, on the grounds there is little public enthusiasm for the idea.

Lord Newby argues that this lack of a grand constitutional vision is dangerous, on the grounds that there will be no English bodies to act as a counterweight to the Scottish parliament and Welsh assembly.

"This government has no coherent vision for a reformed constitution," he will say. "The current piecemeal attempt at modernising our outdated constitution by bite-size chunks of change is not a vision."

He argues that elected regional assemblies in England could take over from the unelected government regional offices – a goal shared by John Prescott, deputy prime minister.

The Lib Dems are likely to use their close working relationship with Labour to press for further English devolution in the next parliament. By contrast, the Conservatives may argue at the next election that devolution in Scotland and Wales requires the creation of a separate English parliament.

Royalty also to be evicted from Lords

By Robert Peston,
Political Editor

The UK government, with the consent of Queen Elizabeth, has decided that senior members of the royal family will not be given life peerages on removal from the House of Lords along with other hereditary peers.

A government bill to be introduced in the current session of parliament will remove the right of hereditary peers to vote on legislation in the unelected upper chamber.

This will affect the Prince of Wales and the dukes of Edinburgh, York, Gloucester and Kent, who are all "Lords of First Creation" or hereditary peers with titles created especially for them.

The idea was considered of making members of the royal family a special case by giving some or all of them life peerages. However, they have rarely exercised the right to speak in the Lords, so it was thought appropriate for them to be treated no differently from other hereditary peers.

The five royals had also made it clear they wished to be treated in the same way, and were said yesterday to be "perfectly comfortable" at being expelled.

Their acquiescence may dishearten other hereditary peers, who are preparing to resist the bill.

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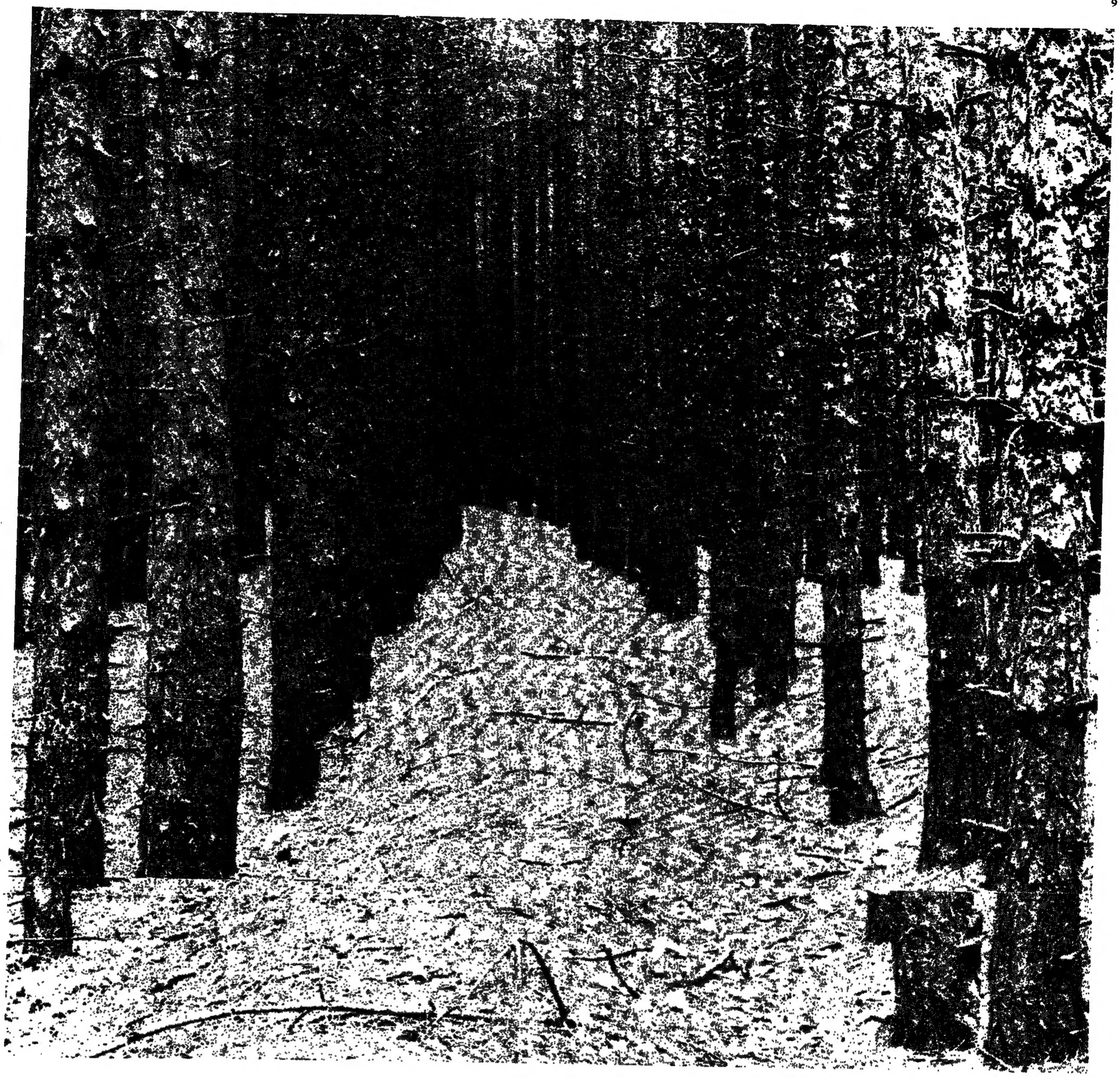

WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Adscene 7.8% Ser 2 Cv Pf 3.9p
Advent 2 VCT 1.75p
Allied Domecq 5½% Cm Pf 1.925p
Do 7½% Cm Pf 2.625p
Anglian Water 8½% Bd 2006 £32.50
Ascot B 1.7p
Avonside 0.75p
BBA 6¾% Cm Rd Pf 3.375p
BTR Non-Cm Rd Pf 0.83125p
Bankers Inv Tst 1.41p
Do 3½% Cm Pf £1.75
Bank of Scotland 4p
Do 9¼% Non-Cm Irrd Pf 4.625p
Do 9¾% Non-Cm Irrd Pf 4.875p
Bristol 11½% Rd 2008 £5.75
British Aerospace 2.35p
Cap & Counties [illegible] 1st Mtg Db 1995/2000 £3.4375
Carbo 0.5p
Cater Allen Gilt & Fxd Inc Fd Ptg Rd Pf 9p
Do Ptg Rd Pf (2000) 20p
City of London Inv Tst 1.72p
City of Oxford Inv Tst 1.3p
Co-operative Bank 9¼% Non-Cm Irrd Pf 4.625p
Diageo 10.8p
Dickie (James) 2p
Downing Healthcare Protected VCT 3.25p
Dunayat Inv Tst Cv Mnthly Div 0.49p
Dunlop Plants 6% Cm Pf 2.1p
Eksportfinans 7¼% Nts 1998 £72.50
Finsbury Inc & Grwth Inv Tst 2.5p
Fleming Geared Grwth Inv Tst 13% Pf 6.5p
Do Units £6.50
Galliford 0.6p
Gartmore British Inc & Grwth Tst 0.905p
Do Inc 1.465p
Do New Inc 0.59p
Do Units 2.375p
Geared Inc Inv Tst 0.875p
Do Inc 0.875p
Glasgow Inc Tst 0.6p
Global 0.24p
Goodhead 0.6p
Do 7% Cv Rd Pf 3.5p
Guardian Royal Exchange Rd Pf B 0.47487p
Guinness Tst 7½% 1st Mtg Db 2037 £3.75
Hamleys Non-Cm Rd Pf 0.7435p
Haven Fdg 7% Sec Bd 2032 3.5p
Hays 7.25p
Henderson Elec & Gen Inv Tst 10¾% Db 2011 £5.375
Henderson Smllr Co's Inv Tst 10½% Db 2016 £5.25
Hunting 8¼% Cm Pf 4.125p
Hydro-Quebec 15% Ln 2011 £7.50
Intereurope Technology 3.6p
Invesco Cv Tst 1.1p
Irish Permanent Treasury Gtd FRN 1999 £19.77
Jourdan 0.75p
Kleinwort Benson Prim Cap FRN $314.76
Do Ser 2 $314.76
Leveraged Inc Fd 2.5p
LLP 1.7p
London & Manchester 8¼% Nts 2004 £81.25
LucasVarity 2.5p
MBL Int Fin (Bermuda) Tst 3% Exch Gtd Nts 2002 $15.0
Mercury European Privatisation Tst FRN 2004 £2028.08
Midland Bank 14% Sb Un Ln 2002/07 £7.0
Nat West Bank Prim Cap FRN Ser C $151.77
Northern Rock 11¾% Sb Bd 2000 £568.75
Partco 3p
Paterson Zochonis 7½% Cm Pf 3.75p
Do 10% Cm Pf 5p
Peel Hldgs 5¼% Cv Cm Non/Vtg Pf 2.625p
Primesight 0.5p
Rank Fin 6¾% Gtd Nts Nov 2004 $33.75
Renaissance US Grwth & Inc Tst 1p
Royal Bank of Canada Fltg Rate Db 2005 $45.75
Rugby Estates 0.882p
Russell (A) 1.3p
Sedgwick 7¼% Cv Bd 2008 £181.25
SFI 0.8p
Solitaire 2.4p
State Bank of New South Wales 6½% Bd 2000 A$65.0
Sterling Publishing 6% Cv Cm rd A Pf 2000 3p
Do 8¼% Cv Cm Rd 2nd Pf 2002 4.125p
TT Fin 11[illegible]% Gtd Db 2018 £5.65625
Tay Homes 6p
Tesco 1.25p
Thorntons 4.6p
Throgmorton Tst 12[illegible]% Db 2010 £6.15625
Do 7¼% Cv Un Ln 2003 £3.625
Value & Inc Tst 9⅜% Db 2026 £4.6875
Wells Fargo Sb FRN 2000 $46.28

■ TOMORROW
Abbey National Fdg 6.1% Dual Curr Gtd Nts 2000 Y2541.66
Abbey National Treasury 10¾% Sb Bd 2006/11 £1075.0
American General $0.375
Andrews Sykes 1.2p
Austin Reed 2.5p
Barclays Bank Non-Cm $ Denom Pf Ser C1 $0.4219
Do Ser C2 $0.1406
Do D1 $0.4313
Do D2 $0.1437
Do Units $0.5625
Do Ser D Pf Units $0.575
Bilton 3.15p
Boxmore Int 1.075p
Bulgin 0.25p
Do A N/Vtg 0.25p
Cadbury Schweppes 5⅞% Nts 1998 $58.75
Caradon Cv Rd Pf 3.625p
Carisbrooke Shipping 1p
Cookson 4.3p
Fleming Claverhouse Inv Tst 1.45p
Fleming Inc & Cap Inv Tst 0.8375p
Do Units 0.9375p
Fleming Mercantile Inv Tst 4¼% Perp £2.125
Folkes 0.81p
Do N/Vtg 0.81p
Ford Motor $0.46
Foreign & Colonial Inv Tst 4¼% Perp Db £2.125
Fujitsu Y5.0
Garton Eng 2.75p
Genfinance 11.49% Ln 2007 £57.45
Glaxo Wellcome 8¾% Bd 2005 £87.50
Great Portland Estates 9½% Cv Un Ln 2002 £4.75
Henderson Smllr Co's Inv Tst 4½% Cm Pf 1.575p
Ibstock 0.85p
Inco $0.025
Ingersoll-Rand $0.15
Investec Inv Tst 3½% Cm Pf £1.225
John Lewis 5% Cm Pf 1.75p
Do 7½% Cm Pf 2.625p
Kirklees Met Council 11.6% Rd 2031 £5.80
Lamont 3.65p
Law Debenture 4½% Db £2.25
London (County of) 2½% Cons £0.625
Do 3% Cons £0.75
Manganese Bronze 6.5p
Marshalls 2.33p
Minerals Oils & Res Shs Fd $0.20
Monks Inv Tst 11% Db 2012 £5.50
Murray Smaller Mkts Tst 4.1% Cm Pf 2.05p
NT & T 6% Nts 2000 $60.0
Ottakar's 0.75p
Perry 3.45p
Reed Int 4½% Cm Pf 1.575p
Do 5½% Cm Pf 1.925p
RMC 8.5p
Royal & Sun Alliance Insce 7.8p
Scottish Mortgage & Tst 1.75p
Sony Y25.0
United News & Media 11p
Yorklyde 1.5p

■ WEDNESDAY DEC 2
Asarco Inc $0.10
Glynwed Intl 4.4p
Nippon Telegraph 7⅜% Nts 2003 £73.75
Philippine Long Distance Telephone 10⅝% Nts 2004 $53.12
Pochin's 2.5p
Premier Farnell 4p
Do ADR $0.16935
Viglen Technology 0.5p
Wetherspoon (JD) 1.45p

■ THURSDAY DEC 3
Ashai Chemical Industry 7⅛% Bds 1999 Y712,500
Comunidad Autonoma del Pais Vasco 8% Bds 2002 DM400
Halifax 7¾% Nts 1998 £775
Halstead (J) 6.5p
Northamber 3p
Sotheby's A $0.10
United News & Media 6¼% Bds 2003 £153.25
White Young Green 2.3p
Yorkshire Water B 0.512314p

■ FRIDAY DEC 4
Aberforth Split Level Inc 2.5p
Do Units 2.5p
Amstrad 0.3p
Anglo American Gold Inv R7.20
Anglo American Inv R1.86
Barousmead VCT 2.125p
BTR ADR $0.3661
Cairngorm Bld Socs Inv Units 14p
Do No 1 1.4p
Do No 2 1.4p
Do No 3 1.4p
Do No 4 1.4p
Do No 5 1.4p
Do No 6 1.4p
Do No 7 1.4p
Do No 8 1.4p
Do No 9 1.4p
Do No 10 1.4p
Canadian Overseas Pckg Inds C$0.83
Diageo ADR $0.7303
Export-Import Bank of Japan 8% Bds 2000 $35
Gearhouse 5p
Goshawk Insce 1.2p
Hoare Govett 1000 Index Inv 1p
Hoare Govett Smaller Cos Index Inv 1.5p
Lloyds Bank FRN 1999 £20.48
Meggitt 1.62p
New Central Witwatersrand Areas R1.74
Optoplast 1.5p
Radamec 0.75p
St Ives 8.95p
Selfridges 1.6p
Shiloh 1p
Style 0.7p
Sumitomo Bank Capital Mkts FRN 2002 $91,250
Venturi Inv Inc 2.24p

■ SUNDAY DEC 6
Wattachak 3½% Bds 2003 $35

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Dicom, 32, St Mary at Hill, London, EC3, 2pm.
Nottingham Forest, Royal Suite, The Royal Moat House, Nottingham, 11.00
Stratagem, Exchange House, Primrose Street, EC2, 11.30
BOARD MEETINGS:
Finals:
Allders
Ankett Assocs
Care UK
Eurocamp
Imperial Tobacco
Jennings Bros
Nord Anglia Education
SBS
Scottish Radio
Young (H)
Interims:
AEA Technology
Atkins WS
Belhaven
Capital for Companies
Critchley
Evans of Leeds

■ TOMORROW
COMPANY MEETINGS:
Dorling Kindersley, 9, Henrietta Street, Covent Garden, WC2, 10.30
Tepnel Life Sciences, Greig Middleton & Co, 30, Lombard Street, EC3, 10.00
BOARD MEETINGS:
Finals:
Carlton Comms
Character
GET Group
Sanderson
Scottish Inv Tst
SCS Upholstery
Shaftesbury
Interims:
Amberley
East Surrey
Hazlewood Foods
Wagon

■ WEDNESDAY DECEMBER 2
COMPANY MEETINGS:
Optoplast, 83, Sefton Lane, Maghull, Merseyside, 11.00
BOARD MEETINGS:
Finals:
Blick
M & G Group
MEPC
Interims:
Alba
Compco
Eve Group
Greene King
Hampson Inds
Readicut
RPC

■ THURSDAY DECEMBER 3
COMPANY MEETINGS:
Durlacher, 2 Chiswell Street, EC1, 11.00
Halstead (J), Holiday Inn, Crowne Plaza Midland, Peter Street, Manchester, 12.00
L Gardner, Hilton Hotel, Outwood Lane, Ringway, Manchester, 2.00
Wescol, Black Horse Hotel, Clifton, Brighouse, 10.30
BOARD MEETINGS:
Finals:
Avon Rubber
Bass
Dewhurst
Guinness Flight Extra Inc
Royal Bank of Scotland
Stakis
Interims:
Abbeycrest
Airsprung
AIT Group
Castings
Expro Intl
GEC
GUS
London Intl
Mid Kent
VideoLogic

■ FRIDAY DECEMBER 4
COMPANY MEETINGS:
Assoc British Foods, New Connaught Rooms, Great Queen Street, WC2, 11.00
Eleco, Belcon House, Essex Road, Hoddesdon, Herts, 10.00
Highland Distillers, Glasgow Royal Concert Hall, Killermont Street, Glasgow, 12.00
BOARD MEETINGS:
Finals:
Deltron Electronics
Interims:
Calluna

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

INSIDE TRACK

PROFILE DICK KOVACEVICH, WELLS FARGO

All's Wells that ends well

With his passion for cross-selling, one man aims to make his bank the dominant provider of financial services in the US, writes **John Authers**

As far as Dick Kovacevich, chief executive of Wells Fargo, is concerned, his bank does not have branches. It has stores.

Applying a philosophy that borrows more from retailing than banking, Mr Kovacevich built Norwest, a Minneapolis-based bank which merged with Wells Fargo earlier this month, into one of the 10 biggest banks in the US.

The 55-year-old executive is one of a small group of bankers attempting to remodel the US financial services industry. When Norwest announced it was acquiring Wells Fargo in June, Mr Kovacevich's aim was clear. "We believe we're going to be the premier financial institution in the US," he said.

There is plenty of competition for the title. The Norwest-Wells Fargo union came towards the end of this year's dramatic "endgame" in US bank mergers. BankAmerica, which merged with NationsBank, is now the biggest in terms of market value, while Citigroup, offspring of Citicorp and Travelers Group, has the most assets. The new Wells Fargo (the merger dropped the Norwest name) is the third-largest US bank by market value. But on the face of it, Mr Kovacevich faces a more daunting task than any of his competitors because the two cultures he must bring together are so distinct.

At Norwest, Mr Kovacevich fostered an aggressive cross-selling culture in which employees, or "associates", were encouraged to build relationships with their "customers" – not clients – and sell them as many financial products as possible. Norwest steadily developed into one of the most successful sales operations in US financial services.

For the past four years, Mr Kovacevich has monitored the total number of products each customer holds with the bank. This statistic, which few other banks attempt to measure, shows that the average customer has 3.7 products, up from about 2.8 four years ago. The goal, even before the merger was announced, was to increase this figure to eight products.

Cross-selling has helped Norwest increase sales by 15 per cent a year over the past decade, an astonishing rate compared with the performance of its peers. Mr Kovacevich says the benefits of cross-selling increase dramatically with each extra product sold because it does not carry extra distribution costs. A customer with two products, for example, gives the bank a $22 profit; increase this to four products and the bank's profit jumps to $113; persuade the customer to buy the full range of nine products, and the bank nets $352.

This formula explains why Norwest was able to engineer the takeover of Wells Fargo, formerly a much larger bank. Wells Fargo, based in San Francisco, had almost exactly the opposite banking philosophy, pioneering internet banking and small, lightly staffed bank branches in supermarkets. While Norwest was all about building relationships and personal service, Wells Fargo was built around convenience and making transactions as easy as possible.

Mr Kovacevich says joining the two banks will allow Wells Fargo to offer each customer the mode of delivery he or she chooses. "We have a tremendous competitive advantage compared to other people, in that both [banks] are considered experts in one or other channel. In combination we cover the whole waterfront."

But where does he see the future of financial services – in supermarket branches, "stores", or on the internet?

"If you had to guess," he says, "you'd guess there's going to be greater use of the internet and supermarket branches and so forth. But the speed at which that happens or the speed in which we proceed in that direction will be based upon customers voting with their feet."

This is a drastic departure from the approach taken by the old Wells Fargo, when it bought Los Angeles-based First Interstate after a bitter takeover battle in early 1996. First Interstate had a traditional branch network, and many of its customers did not want to change to supermarket or internet banking, so they withdrew their deposits, severely weakening the bank in the process.

The new Wells Fargo will make a more concerted effort to keep all its customers. Under Mr Kovacevich's more cautious approach, the integration of the two banks' systems will not be completed for three years. Mr Kovacevich intends to spread the gospel of "cross-selling" to existing Wells Fargo bankers, who will have to learn to refer to their branches as "stores".

But getting Wells Fargo employees to think the Kovacevich way will be a long-term exercise, he says.

"The most important thing to understand about cross-selling is that it's about execution and implementation. It's not about broad strategy. This is a tough thing to do, and it requires doing literally hundreds of things well, and doing them consistently well for all your customers."

Nor, in Mr Kovacevich's view, is cross-selling about flooding the market with financial products. Citibank, for example, had a wide range of products even before it was part of the merger with Travelers Group. "They are probably averaging two products for every customer, just like everyone else, and adding another hundred products to the mix they offer isn't going to make much difference," Mr Kovacevich says.

To become the dominant provider of financial services, he says, he will rely on Norwest's sales culture, Wells Fargo's reputation for efficiency, and the merger's strength in a number of products, including student loans, mortgages and lending to small business. Distribution is also important.

Curiously, Mr Kovacevich has no ambition to turn Wells Fargo into a national bank. The merger will be strong on the west coast and in the mid-west, fast-growing regions. Its "national" presence, however, will depend on products that do not require a nationwide branch network.

And if Mr Kovacevich has his way, Wells Fargo will not be exporting its banking formula either. "The job we're doing would be harder if we were trying to do it outside the US. Internationalisation really isn't something we are interested in."

Two years ago, few bankers would have dared utter such an unfashionable statement. But after the travails of many competitors in Russia and elsewhere, these comments seem to make a lot of sense.

It is now up to Mr Kovacevich to convince his customers and his shareholders that the merger of such different institutions as Norwest and Wells Fargo is also grounded in common sense.

● An FT article published last week ("Wells Fargo merger hit by Y2K problem") said that integration of Wells Fargo and Norwest had slowed down due to worries that other companies would suffer "Year 2000" software problems. Wells Fargo has asked the Financial Times to point out that neither predecessor bank has encountered any serious difficulties with the "Year 2000" problem and that it is confident that it is on course for compliance.

Essential Guide to Dick Kovacevich

Born: Enumclaw, Washington, 1943.

Education: went to Stanford, where he majored in engineering. Initial (and realistic) ambition to be a major league pitcher dashed by final year injury. Went to Stanford Business School instead.

First move: manager with General Mills, where he rose to run Kenner Products, the third largest toymaker in the US.

Second move: recruited by legendary Citicorp chief executive Walter Wriston to overhaul Citibank's chain of retail branches. Worked closely on innovations such as the ATM with Wriston's successor, John Reed, then the wunderkind of US banking, now co-chief executive of Citigroup.

Third move: enticed to Norwest, in the cold wastes of Minnesota, as a change from the internal politics at Citicorp. Not an enticing assignment: a previous president had been electrocuted in a thunderstorm, the Minneapolis headquarters had been burned down, and the bank was loaded with bad loans. Took over as chief executive in 1993. Since joining in 1986, Norwest has averaged 15 per cent annual growth in sales, and 13 per cent in profits.

Latest move: running the Norwest-Wells Fargo merger. Nobody doubts that it is a Norwest takeover of Wells Fargo. But as a concession to the Californians, the new bank's headquarters have been moved to San Francisco.

Business ambitions: as might be expected for someone with engineering and baseball training, they are expressed in statistics. He wants his bank's shares to trade for at least the same price-earnings multiple as the S&P 500, not at banks' traditional heavy discount (Norwest achieved this briefly before negative reaction to the Wells Fargo deal brought its stock down again). And he wants each customer to buy at least eight products (at present the figure hovers just below four).

Linguistic ambitions: the word "branch" to be outlawed in favour of "store". "Bank" to be phased out in favour of "financial services company".

Centre of his universe: Spearfish, South Dakota (pop 6,966) which he mentions frequently and regards as the typical Norwest town.

LUCY KELLAWAY

Pay and the pot-pourri

Is a good salary motivation in itself? Does it encourage someone to work harder, or simply prevent an employee jumping ship?

At the Financial Times it is pay round time once again. It is that time of year when the union (yes, we still do have one, of sorts) traditionally bleats about how much money we deserve and the management asserts that it has precious little to spare. This time, however, our management has made much of the fact that our salaries are only one part of our pay: in addition we all get shares every year if the company does well; some of us get special merit bonuses if our own performance is judged to have been "outstanding".

This pot-pourri approach to pay – salary plus shares plus bonus – is now standard in quoted companies, and pretty unscientific it is, too. It is as if, for all the academic research that has gone into pay, and for all the remuneration consultants who make a mint designing packages, there is still little consensus on what pay is really trying to do. Is it to reward someone, to encourage the employee to work harder, or simply to stop him/her from jumping ship?

We still don't know the answer to a very basic question: how much does money motivate people? The business school fraternity will tell you that money is not terribly effective: what matters is that people enjoy their work, get recognition and so on. Others would say that money is all – just listen to the justifications given by remuneration committees for the size of executive share option packages.

You might think that one way of answering the question would be to ask employees themselves. But this turns out to be a blind alley. Last week I was sent a survey which asked people in marketing jobs what their main career aspirations were. Most said: "To achieve substantial capital wealth." But when the same people were asked about what motivated them from day to day it was a different story. "Making money for myself," was rated only seventh, below such high-minded ends as "working with exceptionally talented people" and "creating a successful solution to client needs". Maybe this shows that people do not know their own minds. Maybe it shows that they lie about the extent of their greed. Certainly it shows that the issue is very complex, and clear answers are hard to come by.

Some companies are boldly attempting to define the things that motivate their staff. Xerox – which is held up as being state of the art in this area – has decided that what matters is to have "a good workplace", and has defined it as follows: "Important, meaningful work, executed by knowledgeable people with the capacity to act in an environment of continuous learning, motivated and inspired by individual and team accomplishments aligned to a larger purpose, with a financial rewards system linked to business results."

Phew! I wonder how many weekend brainstorming sessions it took to come up with that lot. An organisation that is so pompous does not fit my ideal of a good workplace at all. Which brings me round to the unsatisfactory conclusion that motivation is subjective. What is important to one person may not matter so much to another; maybe the pot-pourri approach isn't so bad after all.

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Have you ordered your Christmas cards yet? If so, you are old fashioned. This year the cool thing to do is to send cards on the internet. It is modern, fast, easy, fun . . . and at odds with the Christmas spirit.

Consider how it feels to receive one of these things. First you get an e-mail message inviting you to visit a certain web site. Then you have to get on to the net, type in the address . . . wait . . . wait some more, and eventually you will see some cute little moving image of Santa or reindeer or whatever with a personal message written underneath it.

And, if your computer is up to it (mine isn't) you could also get an electronic rendering of jingle bells. You have to be quick though: such is the pressure on these web sites that your card will magically delete itself after a few days. Not only does receiving these "cards" take a lot longer than opening an envelope, it also costs money (admittedly only the price of a local phone call, but still). Worst of all, there is nothing to show for it on the mantelpiece. Arguably, there is novelty value in the very first internet card you receive. But what would you do if you came in one morning to find you had 30 messages alerting you to cards posted at assorted web site addresses? I know what I would do. Delete the lot and have done.

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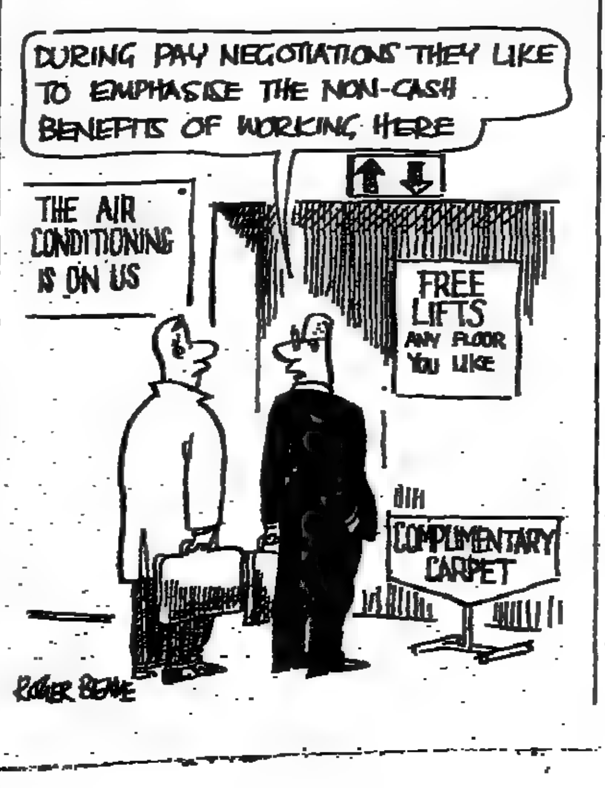
Still on the subject of the good old way of sending cards, I would like to put in a plug for the Post Office. Last week I got my first card of the year. Addressed to "Lucy and Family" it had the wrong house number, the wrong postcode and the street name was illegible. This did not defeat the human brain power at the sorting office: the card arrived just two days after it had been posted. Compare that with an address on the internet. Miss out one dot or one backslash, and you've had it.

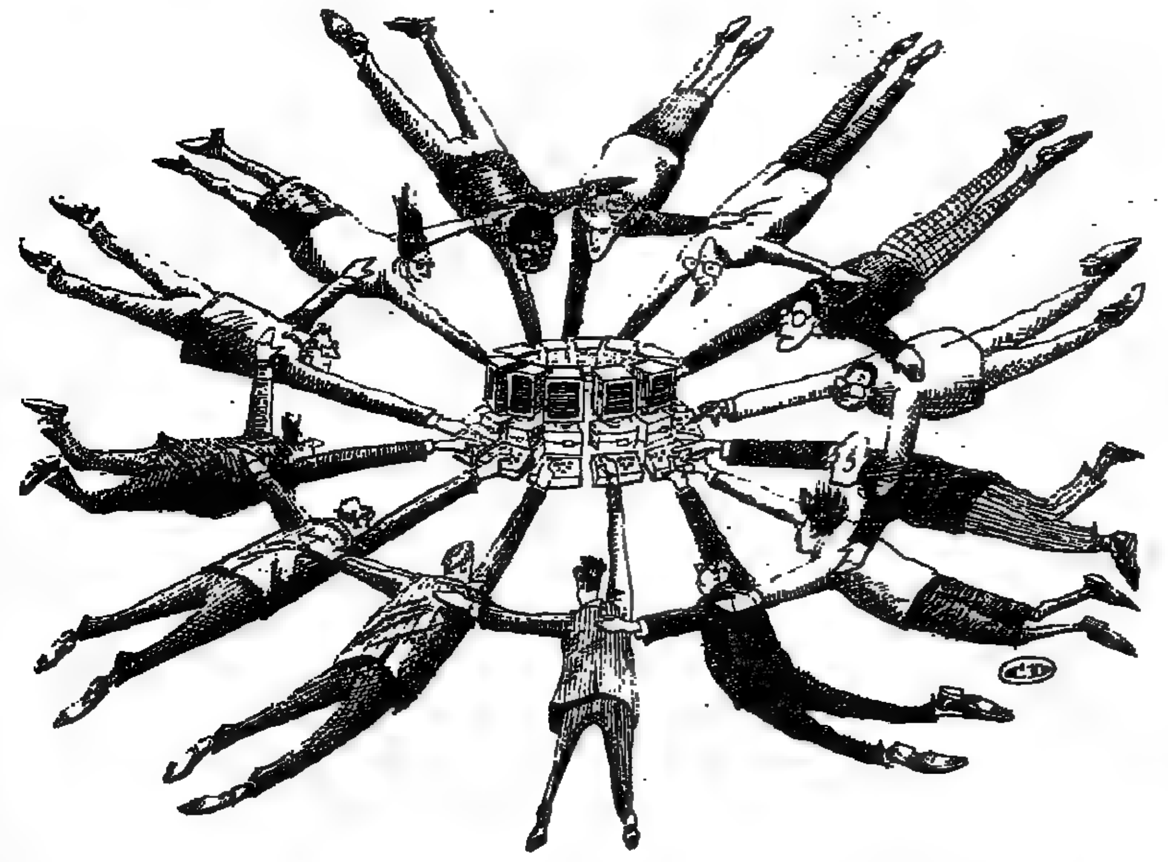
lucy.kellaway@ft.com



BUSINESS EDUCATION DISTANCE LEARNING

Big Blue's MBAs go the distance

IBM chooses schools with the technology to teach collaboration, writes **Della Bradshaw**



When it comes to management training, Walter Stepanek is leading a double life. On the one hand he is a student, part way through the gruelling task of studying for a distance learning MBA. On the other, he is the man at International Business Machines in Europe who is responsible for deciding which MBA programme the computer conglomerate should choose for its managers.

Running the scheme is not easy. IBM in Europe is opting for external management training in a big way and is using its purchasing power to push the business schools involved into adopting the very latest technology to deliver their courses.

Last week, 100 IBM managers signed up as the latest recruits for distance learning MBAs. This brings the total number of IBM managers on these programmes to 500 in Europe alone. (For administrative reasons IBM counts Africa and the Middle East as part of its European remit.)

IBM began the programme 2½ years ago with the Open University Business School, based in Milton Keynes in the UK, and 300 students are still studying with the OUBS. The latest 100 recruits are studying with Henley Management College, also in the UK, following a pilot scheme launched earlier this year.

The choice of school was particularly important: it has to be accredited by the Association of MBAs in London, and has to have the capacity to deal with the large number of prospective students, says Mr Stepanek. It also has to be experienced in delivering corporate programmes – not just MBAs for individuals – and has to be reasonably priced. Both the Henley and OU programmes cost IBM about $15,000 (£8,930) per participant.

But most important – and this triggered the switch from the OU to Henley – IBM wanted a school that would deliver technology-based distance learning. At IBM's request Henley upgraded its system from working in Lotus Notes to Lotus Learning Space. This enables the groups of 15 or 20 students, who may be from different countries, to work collaboratively on a single project.

It is a way of working which Mr Stepanek believes is replicated in the way that IBM works. "I would say managers should be able to deal across boundaries and with and through teams."

Mr Stepanek believes many course participants might not be happy with this way of working. "They need to make use of the technology and collaborate. Sometimes this is tough. Some people are less comfortable with this way of working."

But so convinced is IBM that it is the most effective route to high-quality management that it has stipulated that 15 per cent of the marks for the MBA are allocated on the basis of how effectively the managers collaborate. Collaboration might go so far that some projects are submitted jointly by a group of participants, says Mr Stepanek,

'Managers should be able to deal across boundaries and with and through teams'

who is based at IBM's Education and Training centre in La Hulpe, just outside Brussels.

The OUBS has now launched its MBA on the Lotus Learning Space platform.

IBM's decision to go for distance learning, rather than a traditional residential MBA programme, was influenced by cost and flexibility. When managers were pulled out for, say, a three-day management development programme they were inevitably not working for three days, says Mr Stepanek. Also there were additional travel costs.

The distance learning MBA shifts the responsibility for learning on to the individual, to study when he or she can. Participants can download the software from the IBM network in the office to work individually on their ThinkPads at home. Only when Henley organises regional tutorials for course participants – and they can be in places as far afield as Germany, Belgium or South Africa – do the students have to be physically in the same place.

And although the programme designers stipulate that the course can be done in 10 hours a week, Mr Stepanek, in his role as student, believes 15 to 20 hours is more realistic. "I took the learning materials to the beach," he confesses.

The workload has been one reason why there has been an unacceptably high drop-out rate on the programme so far, says Mr Stepanek. But tightened entry procedures, including a test to ensure that all prospective students have adequate levels of English, should reduce the drop-out rate in future, Mr Stepanek believes.

Large though the programme already is, Mr Stepanek is confident that IBM could expand and introduce two intakes of students a year. The constraint, he says, is the capacity of the business schools to train tutors.

Moreover, he envisages programmes in which non-IBM managers could also participate – up to 50 per cent of course participants could be from other industries. A handful of managers from outside IBM are already taking part in the programme. "This extends the learning across boundaries and across company cultures. It makes a lot of sense to bring in different industries."

NEWS FROM CAMPUS

Barcelona puts the accent on English

Iese, in Barcelona, is to increase the number of places on its full-time MBA programme for those students who want to study for the degree in English.

Currently Iese has three streams on its two-year MBA programme, one taught in English, another taught in Spanish and a third which is bilingual. From September 1999 there will be a single Spanish stream and two streams taught solely in English.

However, all the participants in the English stream are required to learn Spanish as a second language during the programme.

The move reflects the growing demand at Iese from international students who want to study on an English-speaking MBA programme.

Iese: www.iese.es

Slovenia makes history work

Work has just begun on the renovation of two historic buildings in Slovenia's tourist resort of Bled. When completed next year, they will be the new home for IEDC (the International Executive Development Centre), currently sited in Kranj. The buildings will house amphitheatres, lecture halls, classrooms and a library. There will also be a permanent exhibition area for contemporary art.

IEDC: www.iedc-brdo.si

Managing culturally

The University of Zimbabwe and EAP, the European School of Management, headquartered in Paris, have set up a Centre for Cross Cultural Management Research at EAP's campus in Oxford, in the UK.

The first task of the centre will be to initiate a pan-African research project on the management of people and change in a cross-cultural environment.

Centre for Cross Cultural Management Research: UK, 1865 263212

Manchester goes to market

Diplomas for marketing types are now on the agenda at Manchester Business School in the UK.

MBS is working with the UK's Chartered Institute of Marketing to run a diploma course in just five weekends. The programme starts in February 1999. Aimed at directors and senior managers with six years' marketing or sales experience, the programme is spread over four to five months.

MBS: www.mbs.ac.uk

Greensted quits Strathclyde

Chris Greensted, director of the University of Strathclyde Business School and former chairman of the UK's Association of Business Schools, is to quit Glasgow next summer to move south to warmer climes.

He will become the new dean of the University of Plymouth Business School in Devon. He will take over from acting dean Steve Rainbow.

Plymouth University: UK, 1752 600600

● The Simon School at the University of Rochester, in the US, has appointed Ross Watts as the William Meckling Professor of Business Administration. Prof Watts, who is already a member of the faculty at the Simon School, has research interests in accounting and finance.

Simon School: www.ssb.rochester.edu

Women take student honours

MBAs at business schools at the UK universities of Edinburgh, Durham, Bath and Kingston, won the students of the year competition run by the Association of MBAs and The Independent newspaper in the UK. Three of the four winners – Angela Jenkinson (Kingston), Charlotte Short (Durham) and Eve Poole (Edinburgh) – were women. The sole male winner was Rick Chaplin (Bath).

Association of MBAs: www.mba.org.uk

Information for News from Campus should be sent to Della Bradshaw, The Financial Times, One Southwark Bridge, London SE1 9HL. Tel. 44 171 873 4673 Fax 44 171 873 3950

BUSINESS EDUCATION SAID BUSINESS SCHOOL

Oxford leaves Templeton out in the cold

The Said Business School in Oxford has been given the go-ahead by the university to expand into all areas of management education, which includes short executive programmes as well as postgraduate, MBA and undergraduate programmes.

The decision could set the school in direct competition with Templeton College, Oxford, which has been offering executive programmes from its site on the outskirts of Oxford since the 1960s. Templeton became a full Oxford graduate college in 1995.

Since the Said Business School was first announced in 1996 there has been confusion over the conflicting roles of the two institutions. The statement of the university goes some way to clarify the issue and confirms that the Said school now undoubtedly has the upper hand.

The Said Business School is the "sole business school" at Oxford University, according to a university statement. The decision has been taken to give the school the freedom to compete with the world's best business schools, such as Harvard, Wharton or Stanford in the US.

Meanwhile Templeton is a graduate college which offers courses in management. At present Templeton offers a postgraduate certificate and a postgraduate diploma in management as well as non-certificate programmes. But in future Templeton will only be able to offer diplomas or certificates from Templeton College – not from Oxford University – unless it gets prior approval from the faculty board at the university.

In an e-mail message to all the staff at the Said Business School from its director John Kay, Prof Kay confirmed that talks between Templeton and the Said school to try to agree a workable relationship broke down in October. According to Prof Kay last week there were no plans to re-open discussions.

Although the Said Business School is now free to offer executive courses, in practice it is more likely to concentrate on the development of its MBA programme until it is established in its new building in 2000. Initially, executive programmes could grow out of the school's research work, says Prof Kay.

Della Bradshaw

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Malaysia slips deeper into recession

INSIDE TRACK

TECHNOLOGY STANDARDS

Driving down the fast track

Technological change has outpaced the standards authorities. They now plan to catch up, writes **Andrew Baxter**

One of the costliest, most hard-fought battles between incompatible product formats ended more than a decade ago with victory in the marketplace for the VHS video recorder system over its Betamax rival.

Millions of consumers were left angry and confused, while several electronics companies licked their wounds.

For years such battles have been a fact of life in consumer electronics and information technology, as more recent squabbles over Digital Versatile Disc (DVD) formats have shown. It may never be possible to eliminate them, but now these industries and the standards organisations which work with them are having a go.

Format battles occur partly because technological change and product development have far outpaced the creation of widely-agreed global product standards.

Over the past year, the world's big standards organisations have responded with "fast-track" or informal ways to help industry agree product specifications. One aim is to agree basic specifications before product launches to avoid battles in the marketplace.

Reaching a global consensus on a product standard can take five to seven years because of the range of interests – industries, consumers, governments and others – and the plethora of national and international committees involved. This may not matter in some industries where the pace of technology change is slower but in consumer electronics and IT the delay presents manufacturers with a problem.

"International standardisation is losing ground, compared to proprietary solutions, because people simply cannot wait," says Leonardo Chiariglione, head of television technologies research at CSELT, Telecom Italia's corporate research centre.

The committee system, he says, is not equipped to respond to the sector's needs: "You establish an organisation with committees and sub-committees, then a new technology comes up and you don't have the right people working on them."

Standards organisations agree that something needs to be done if they are to remain relevant to large sections of the electronics industry. "The penny has dropped over the last year," says David Lazenby, director of standards at the British Standards Institution. "The IT and electronics industries were getting more and more restive." Tony Raeburn, general secretary of the Geneva-based International Electrotechnical Commission, which develops and publishes electrical and electronics standards, says: "When you have products that last two to three years from launch to replacement, then clearly our conventional standards process is far too slow."

Most standard-setting organisations offer processes which require lower levels of consensus and transparency than is required for a fully-fledged standard. The IEC, says Mr Raeburn, had been considering adapting these for the electronics sector, but decided it was pointless. "Big companies such as Sony, Alcatel and Rockwell said we needed something different. Rather than waiting for a full international consensus that may never be achieved, they wanted a specification they and their customers could use."

At the end of last year, the IEC launched its Industry Technical Agreements, a high-speed process aimed at delivering industry specifications in months. Similar products have been launched by organisations including the International Standards Organisation (Iso), which is the IEC's sister organisation, Cen, the European standards-making body, and the BSI.

These organisations lend their facilities and expertise to help industry hammer out the specifications. In the case of ITAs, industry players agree among themselves who is to take part, but the results carry an intrinsic "seal of approval" from the IEC, which will retain publishing rights and share revenues with the participants.

'International standardisation is losing ground because people simply cannot wait'

Leonardo Chiariglione

Last month, the IEC announced that its first ITA was under way. The process is being used by the Open Platform Initiative for Multimedia Access (Opima), a consortium of more than 40 companies and organisations which was started by Mr Chiariglione.

This aims to have defined by next September specifications that would allow a consumer to access a range of multimedia services – such as TVs, decoders, radios and personal computers – from one terminal. Mr Chiariglione says multiple terminals with different interfaces are expensive and confusing, and are slowing down the adoption of digital services. He hopes products will be available in 2000.

Mr Raeburn stresses that even in electronics, the IEC's full standardisation process is still needed in areas such as power generation and transmission equipment. In consumer electronics, he hopes ITAs will help prevent marketplace battles over formats and give consumers confidence that changes in specifications will not render their purchases unusable.

The new process has other advantages, he says. "Multinationals such as Philips and Sony have their own networks for talking to each other, but this gives an opportunity for smaller companies to get involved."

The new ITA process, Mr Raeburn admits, is cutting corners. "All the feedback we get is that the full international consensus standard is not required, because things are happening so quickly." In any case, he adds, an ITA could be turned into a full standard later if required.

But if industry is happy, what about other interests? Couldn't these fast-track processes produce an industry stitch-up that leaves consumer organisations and governments under-represented.

"There is always going to be a trade-off between openness and transparency on the one hand, and time," says Mr Lazenby. "For industrial purposes, a fast-track approach is fine, but I don't think it is appropriate when there is a public or society issue involved." And the IEC points out that part of its role will be to ensure the new fast-track agreements do not circumvent the full standards process if that is more appropriate.

'All the feedback we get is that the full international consensus standard is not required, because things are happening so quickly'

Tony Raeburn

TECHNOLOGY SEMICONDUCTOR DESIGN

A new chip from diverse blocks

Trade in virtual components is taking off 'like a rocket'. **James Buxton** looks at an exchange set up to facilitate business

The name of the game in designing semiconductors is to build as many functions as possible on to a single microprocessor, producing devices that amount to "a system on a chip". But with 20m transistors on the latest chip, the time needed to design one often exceeds the probable shelf life of the products in which it is to be used.

"This is a productivity gap that cannot be filled by today's designers on their own," explains Jim Tully, a semiconductor analyst at Dataquest. "The only way it can be filled is by slotting in pre-designed blocks of intellectual property (IP) from other designers." Trade in these blocks – often called virtual components or VCs – is "taking off like a rocket", he says, growing by 65 per cent worldwide last year.

An important step has been taken recently to make this trade in virtual components (which may be just lines of code on a diskette or tape) as simple as buying and selling hardware. A Virtual Component Exchange (VCX) will begin some operations next year.

The VCX is based in Scotland, a country better known for producing electronic hardware than for designing it. But it has a powerful set of players among its 10 founding members: semiconductor design companies such as Cadence Design Systems and Mentor Graphics of the US, Arm and Iss of the UK, and semiconductor producers such as Motorola, Toshiba and Siemens.

The VCX is part of the Alba Centre, a semiconductor design campus at Livingston near Edinburgh set up by Scottish Enterprise, the development agency, to complement the establishment in the town of a system-on-a-chip design centre by Cadence which should eventually employ 1,900 people.

"There are many hurdles to be overcome before you can use a block of somebody's else's intellectual property," says Andy Travers, the VCX's interim director. First, he says, a semiconductor design company can spend a long time locating the VC it needs because VC providers, often small companies, are dispersed around the world and present their IP in different ways.

It can take 20 weeks to negotiate a contract between provider and user because there is no standard agreement under which a user can evaluate a VC to assess whether it suits him and then obtain the full use of it under licence. Even after a deal has been concluded the provider of the VC may find it difficult to audit the use the customer makes of it and collect royalties, leaving scope for disputes.

Because it is a new industry, says Mr Tully, "VC providers don't know how much to charge and whether they are getting a good deal or not".

Andy Travers: providing a model for agreements

When the VCX gets going, says Mr Travers, user companies will log on to it via the internet and scroll through lists of tradeable ICs. The VCX will provide the electronic tools for an exchange of virtual signatures to allow the user to have an overview of the IC, followed by a full technical evaluation and a test of its compatibility.

Finally the parties would begin a contracting process, leading to agreement on price, delivery and product support. "All this will be built into the contract in a form provided by the VCX," says Mr Travers. The VCX will set a model for royalty agreements and protection of IP rights, and lay down rules to govern mediation and arbitration.

They can make deals under any legal jurisdiction but could find the Scottish legal system attractive. Jack Harding, president and chief executive of Cadence, says the fact that the Scottish system reaches decisions quickly and does not have a long list of precedents are two reasons his company is setting up in Scotland.

Mr Travers believes the VCX will cut the time it takes to conclude transactions by 50 per cent and achieve a similar reduction in dealing costs. It will not set prices, leaving this to the parties, nor charge a percentage on deals. Instead it will levy membership fees and charge for writing contracts and for the use of its tools and technical support. It is constituted as a not-for-profit organisation.

Mr Tully believes OEMs such as IBM and Nokia will become involved. "They are realising they are sitting on a mountain of IP embedded in their products and would like to find a way of releasing and commercialising it."

Tim Jackson's column will appear later in the week.

TRAVEL UPDATE

Card route to hire cars

Sixt, the fast-growing German car rental company, is ready to install machines at Heathrow airport that issue car keys on insertion of a card. Customers first need to have their credit cards validated at one of the company's branches. They can then pick up cars day or night, whether or not they have made reservations, and even if airport desks are closed. The Munich-based company introduced the system in Germany and wants to use them in all four of Heathrow's terminals, but has yet to agree a deal with BAA, the airport's operator.

Late summer

Crowded airport terminals were not the only headache suffered by business travellers during last summer's holiday peak. The July-September quarter was the worst ever for European flight delays. Almost 26 per cent of departures were more than 15 minutes late, says the Association of European Airlines.

In September alone a record 29.6 per cent of flights were held up. The AEA says congested airspace was mostly to blame. Karl-Heinz Neumeister, its secretary-general, criticises Europe's politicians for failing to create a unified air traffic control system.

Cathay launch

Cathay Pacific launches a non-stop, daily service between Hong Kong and San Francisco tomorrow using Airbus A340-300 jets. Meanwhile, political unrest has not deterred Malaysia Airlines from announcing new flights between Kuala Lumpur and Manchester. It has identified growing demand in the north of England and the Midlands. The service is scheduled to start next July, initially with three departures a week via Munich. Meanwhile, Northwest Airlines has postponed the start of its service between Detroit and Kuala Lumpur, via Osaka. It is now due to begin on February 27 instead of January 16.

Vancouver venue

Vancouver is to get a new hotel which, its operators claim, will match London's Savoy for luxury. The Sheraton Suites Le Soleil is scheduled to open in February on Hornby Street, near the city's main corporate buildings and the Trade and Convention Centre. It promises "to recreate the charm and graciousness of European manors of years ago".

Code conundrum

Hard to blame travellers for being confused by airline code share deals. From today you can book with KLM uk to fly from London Stansted to Turin or Pisa on an Alitalia service which will be operated by another Italian carrier, Azzura Air. And you can book with Alitalia to fly from the same airport to Rome – or from Manchester to Milan's Malpensa airport – on jets operated by the Dutch airline.

Athens venture

The consortium building Athens' new airport plans to incorporate a traditional Greek night spot along with the usual international diversions. Utz Heinzelmann, chief commercial officer, would also like to persuade Harrods to open a store in the terminal. The airport is on schedule to open by 2001 – and it is hoped a rail link with the centre of Athens will be approved by the Greek government and completed in time for the 2004 Olympics. The airport operators, a consortium led by Hochtief, are talking to two US airlines about launching new routes there as well as contracts for two hotels.

Roger Bray

BUSINESS TRAVEL SHANGHAI

A money Mecca

The city is mushrooming as a financial and commercial centre, says **Amon Cohen**

Shanghai's gleaming new stock exchange proudly displays enlarged photographs of recent important visitors who have graced its vast trading floor. One shows no lesser a scourge of capitalism than Fidel Castro.

Mr Castro and Bill Clinton are only two in a stream of eminent business travellers to Shanghai. Lionel Jospin and Tony Blair have also been this year, and it is not hard to see why. Following extensive investment from the Chinese government, this city of 13m inhabitants is mushrooming as the commercial and financial centre of the world's largest national market.

The established part of Shanghai lies west of the Huangpu river. To the east is the $40bn (£24bn) development of Pudong New Area. Nearest to the river is the Lujiazui central business district, the site not only of the stock exchange but of 158 skyscrapers built since the beginning of the decade.

This instant city is home to 38 foreign financial institutions, including Hongkong and Shanghai Banking Corporation and Citibank. There are question marks over the occupancy levels of many of its buildings, but the pilgrimages made by foreign leaders indicate that they are aware that Pudong has great potential.

From next October it will be the arrival point for all international business travellers. An international airport is being built on the zone's eastern reaches, next to the Yangtze River estuary. It will eventually have four runways. Shanghai's existing airport, on the west of the city, will be confined to domestic flights. The two will be connected by a new metro system with stops throughout the heart of Shanghai, including the main railway station.

Pudong's $40bn development has great potential

The new airport should see the expansion of international air routes. At present, connections from main Asian destinations are good, but only Lufthansa and Air France fly non-stop from Europe. Ian Richards, the British consul, recommends flying via Paris or Frankfurt in preference to connecting via Beijing. "Changing flights within China is not much fun. Beijing airport is outmoded and cannot cope with the capacity," he says. "Using Lufthansa or Air France is far less hassle."

But Mr Richards speaks highly of China's domestic airlines, which have modern fleets to serve the growing internal travel market. Again, however, travellers can be let down by airport facilities. "They were built in the days when few could afford to fly," he says.

Shanghai is well off in terms of hotels, particularly in the five-star market, including the Portman Ritz-Carlton, the Westin, the Hilton and – much favoured by Japanese travellers – the Garden.

International attraction: Bill Clinton on a recent visit to Shanghai Stock Exchange AP

These are all in the city centre, but in October Tony Blair was one of the first guests at the Shangri-La, the first big hotel to open in Pudong. A drab exterior belies an interior that is much more attractive than the average business hotel. The Chinese restaurant is particularly to be recommended, and there are excellent views from its riverside location to the Bund, the heart of the European area during Shanghai's concession era.

The Pudong Shangri-La is charging $157 for a room plus breakfast until December 31, after which the rate rises to $253. For those who want to pay less back in the main city, ex-pats recommend the Jin Jiang, the Peace Hotel, the Rainbow, the Cypress, and the Sofitel.

Most visitors pay a pilgrimage to the Peace Hotel in the heart of the Bund. This art deco marvel houses an eighth-floor restaurant serving fine Chinese cuisine and views across the river to Pudong. Even more people flock to the atmospheric ground floor jazz bar.

Shanghai has numerous other bars of varying degrees of seediness – at the reputable end, a German beer hall called the Paulaner Brauhaus is unaccountably popular – and good restaurants.

International dialling and mobile telecommunications work well – the enthusiasm for mobile phone culture seems even greater here than in other Asian cities.

In Shanghai, taxis are plentiful and cheap. Walking is safe – the crime rate is low – but a health risk because of the pollution. For a few days, however, it is worth braving the smog. Shanghai feels like a city on the way up.

GERARD BAKER
FILE FROM WASHINGTON

The party's over, let the good times roll

It is the end of the line for DC's flamboyant mayor Marion Barry, as the city embraces a new political era

With just weeks to go before he sniffs the last intoxicating fumes of municipal authority, Marion Barry is in trouble again. The fun-loving mayor of Washington, whose trials and tribulations have dominated the capital's local politics for two decades, has finally demonstrated, for those remaining few who may have doubted it, that he really knows how to party.

A month ago, shortly before the election that chose his successor, Hizzoner held an almighty farewell bash at the smart new MCI Center in downtown Washington.

"A Tribute to the Legacy of Marion Barry" was a fitting commingling of the magnificent and the mundane. Luminaries chatted with crowds of Washington's indigent African-American population over canapés and champagne flutes. Public orators lauded the contribution the man had made in 16 years at City Hall. A band played. Tears flowed.

The affair was supposed to have been self-financing, the cost defrayed by sales of $95-per-head tickets. But there seems to have been something of a shortfall. Last week the city's interim chief financial officer revealed he was investigating allegations that as much as $600,000 in local taxpayers' money may have been transferred to help cover the unexpectedly large costs of the Barry gala.

The news seemed to move surprisingly few Washingtonians. Perhaps it was because the good citizens have already become too numbed by the *Grand Guignol* that has been the Marion Barry mayorship. From his arrest (captured on video) for smoking crack cocaine in 1990, to his expenses-paid trade missions to unlikely places (Cameroon was the latest this month), to presiding over the near-collapse of the city's finances, Mr Barry has earned his place as a 1990s paradigm of municipal sleaze and incompetence.

Another story of Barry extravagance was surely not going to excite more anguish.

But more likely, most Washingtonians might well have decided $600,000 was a small price to say farewell to the mayor. Why not send him off with a flourish? Things in DC are looking up.

There is about Washington these days an almost dizzying sense of fortunes transformed. Almost last among the great American cities, DC is in the throes of a revival. And though it is not entirely his fault, Mr Barry's curtain call is seen as the beginning of a new era for the city.

His successor accentuates the sense of transition. Apart from the fact that he, too, is a black Democrat, Anthony Williams, who was elected by a landslide on November 3, has nothing in common with his predecessor. A well-educated technocrat, the dapper and perennially bow-tied Mr Williams is as low key as Mr Barry was flamboyant.

He made his mark, not in the grandiloquence of the civil rights movement, but in the number-crunching of DC's chaotic finances over the past five years. While Mr Barry further polarised a racially divided city, Mr Williams won widespread support among white as well as black voters for his message of improved efficiency in public services.

He is already, before taking office, on the verge of scoring his first substantial victory. He has secured agreement from the DC Control Board – the panel that in effect took over the running of Washington from Mayor Barry when the city's finances collapsed three years ago – that it will restore to the mayor's office many of the municipal powers it took away.

In fact, between them, the Control Board and Mayor Barry had managed to make a good start on getting DC back into some semblance of order. Over the past year, parking meters have been mended, schools painted, the budget restored to balance.

It would be wrong to exaggerate the improvements. Washington is still a long way behind New York, Chicago or even Detroit in the race to US metropolitan renaissance. Recent media reports have highlighted shocking abuses among the DC police, who, it seems, are probably the most incompetent, trigger-happy and corrupt of all the police forces in America. Most of the district's public schools are still riddled with crime and drugs.

But only a curmudgeon would deny that DC is gradually reviving.

The economic explanation for the changes seems obvious – the rising economic tide across the country has lifted even Washington's battered boat, a boat made leakier by the fact that the federal government is now in almost permanent retreat.

But the political factors may be of greater significance in the long term. In picking the rather dull Mr Williams, voters of all races in DC appear to have turned away from the ideological posturing that Mr Barry seemed to personify. Like his counterparts of both parties in other US cities – New York, Los Angeles, San Francisco, Detroit – Mr Williams seems to transcend, or at least to ignore, partisan labels.

A new breed of city managers, not ideologues – harking back to the great era of New York's Fiorello LaGuardia – is in charge.

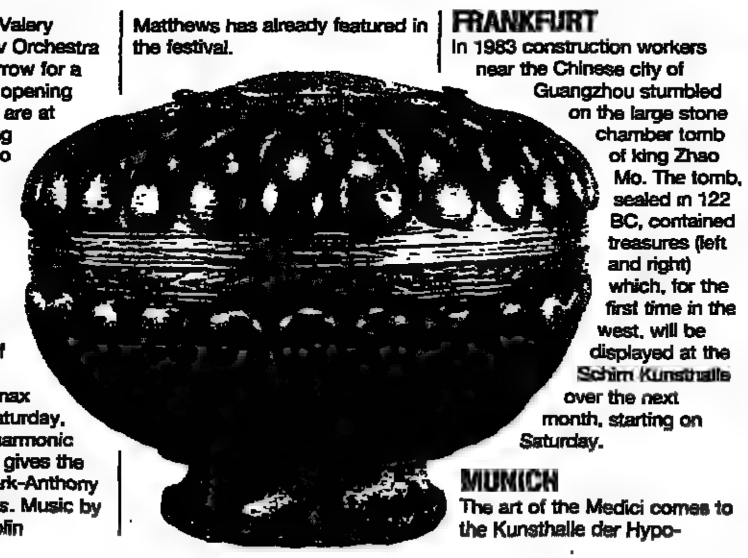
At least, they are as long as the good times continue to roll.

OPENINGS

LONDON
Although London theatre fare changes less for Christmas than that of any other British city, three of this year's leading metropolitan Christmas entertainments open this week. Janet Suzman directs *The Snow Palace*, by Pam Gems, opening tomorrow at the Tricycle Theatre. Dominic Cooke directs his own adaptation of *Arabian Nights*, opening at the Young Vic on Wednesday. And Julian Crouch, Phelim McDermott, Lee Simpson, and Neil Bartlett collaborate in staging their adaptation of Angela Carter's *Cinderella* (left), opening on Thursday at the Lyric Theatre, Hammersmith.

NIIGATA
Barely drawing breath after their latest trip to the US, Valery Gergiev and the Kirov Orchestra arrive in Japan tomorrow for a two week tour. Their opening and closing concerts are at the Niigata Performing Arts Centre. They also visit Osaka and Tokyo with symphonies by Tchaikovsky, Mahler, Beethoven and Brahms.

TOKYO
A year-long festival of British contemporary music reaches its climax at Orchard Hall on Saturday, when the Tokyo Philharmonic Symphony Orchestra gives the world premiere of Mark-Anthony Turnage's *Silent Cities*. Music by Thomas Ades and Colin Matthews has already featured in the festival.



FRANKFURT
In 1983 construction workers near the Chinese city of Guangzhou stumbled on the large stone chamber tomb of king Zhao Mo. The tomb, sealed in 122 BC, contained treasures (left and right) which, for the first time in the west, will be displayed at the Schirn Kunsthalle over the next month, starting on Saturday.

MUNICH
The art of the Medici comes to the Kunsthalle der Hypo-

Kulturstiftung on Friday. More than 180 treasures, including paintings by Botticelli and Raphael, will be on display for the next three months.

AMSTERDAM
The Netherlands Opera's new production of Tchaikovsky's *The Queen of Spades* opens at the Muziektheater on Wednesday, with Galina Gorchakova and Vladimir Galuzin in leading roles. Semyon Bychkov conducts a staging by Lev Dodin.

UTRECHT
Yan Pascal Tortelier takes the BBC Philharmonic Orchestra on tour to the Netherlands this week, starting tomorrow with a concert at the Vredenburg in Utrecht. The tour repertoire includes works by Vaughan Williams, Frank Bridge and Grieg, with piano soloist Kathryn Stott.

Undoubted tours de force: blue-and-white porcelain dish with dragons among waves, Chenghua (1465-87); and a pair of porcelain and enamel moon flasks with dragon, Qianlong (1736-95)

Dishes fit to set before the king

Susan Moore marvels at the Au Bak Ling collection of imperial Chinese stoneware and porcelain on show in London

Only practitioners of the Three Perfections – painters, calligraphers and poets – were regarded by the Chinese as artists. Sculptors, potters, metalworkers and the like, however skilful, were merely craftsmen and the objects they produced were never accorded the status of works of art.

With that in mind, standing before the astounding Chinese imperial ceramics unveiled at London's Royal Academy of Arts is a humbling experience. For it is the consummate "artistry" of these vessels that is most immediately striking – the eloquent form, the unerring eye in placing the motif, the liveliness of the painters' brush. That such exacting skills should be lavished on such functional objects is a mark of a great civilisation.

On show at the RA is the cream of the Au Bak Ling Collection. Never previously exhibited, this 300-piece collection is probably the finest of its kind in private hands, certainly outside Japan. It is the remarkable achievement of a self-educated Hong Kong educational publisher, entrepreneur and philanthropist who started work at the age of eight and left school two years later.

It all began in 1974 when a colleague invited Au to view a Sotheby's Hong Kong auction of Chinese ceramics. So struck by what he saw, he returned the next day, bidding feverishly and securing 14 lots. (None of that initial enthusiasm has waned; he gave another theatrical bidding performance at Christie's London earlier this month.) He knew nothing, but learned very quickly and now ranks among that increasingly exclusive band of collectors whose knowledge rivals that of the experts.

Au bought extensively from some of the great Hong Kong collections dispersed in the 1980s, realising they offered more or less the last opportunity to acquire important pieces. Certainly there is almost nothing in his collection that could be described as routine.

Many of his ceramics have counterparts only in the former Chinese imperial collection, now in Taiwan, and in the Palace Museum, Beijing. Some are unique. Their unveiling here, courtesy of Asia House, is a coup for the organisers of the Asian Art in London initiative.

Au's collection is not intended to be a comprehensive survey. His focus is the stoneware and porcelains produced for imperial use during the best periods of ceramics manufacture from the Song period (960-1279) onwards.

A handful of objects represent Song ware which, for many, remains the supreme achievement of the Chinese potter – the culmination of centuries of continuous development in the technique of high-temperature firing. (The Chinese began producing porcelain about 1,000 years before the west; stonewares date back 3,000 years.) These vessels are of deceptive simplicity, their bodies and glazes, shapes and ornament mutually enhancing to a degree that has perhaps never been surpassed.

> **In the monochrome wares, the crackle of the glaze, the deliberately induced happy accident of firing, is all the decoration needed**

Take the dish made of Ru ware, the official ware of the Northern Song court and the rarest Chinese ceramic today. Its high-fired blue-green gives the piece the lustrous translucency and soft sheen of jade. In these monochrome wares, the crackle of the glaze, the deliberately induced happy accident of firing, is all the decoration needed. These Song objects would have graced the tables of the ruling elite of scholar-officials – wine cups and water vessels for cleaning brushes or to hold water for mixing ink, flower vases and incense burners.

Next come the massive, exuberant blue and white jars and dishes of the Mongol Yuan Dynasty founded by Khubilai Khan (1279-1368), the cobalt of the rich blue glaze a new import from Persia. Surface decoration became the prominent feature, with bands of scrolling lotus, chrysanthemum and peony, or with scenes from popular plays. These porcelains were admired not so much by the native Chinese as by the Mongols, Persians and other foreigners in China and abroad.

Little wonder that the Ming emperors were slow to accept a style of decoration favoured by their "barbaric" usurpers. The first, Hongwu, favoured underglaze copper-red. His successor was the first to have porcelain made for imperial use inscribed with a reign mark. The court came to monopolise and exert strict control over porcelain production as Jingdezhen, harnessing the best raw materials and the most skilled craftsmen to serve the ceremonial, official and personal needs of the emperor. Any slightly blemished reign-marked pieces were now destroyed rather than sold off as seconds.

Few monochrome imperial porcelains have found their way into this collection – one delectable exception is the exquisite Qing dynasty "peach-bloom" bottle with a ringed neck. Au's predilection is more for Qing "famille rose" porcelains. The introduction of enamel colours from Europe, notably pink and white, resulted in a new pastel palette and a far greater naturalism. Sparse, asymmetrical blooms and branches are now wrapped ingeniously around a vessel, whatever its shape, spilling over rims at whim. In terms of technique and composition, these are undoubted *tours de force*.

"100 Masterpieces of Imperial Chinese Ceramics", sponsored by HSBC and Royal & SunAlliance, continues at the RA until December 20. More exceptional Chinese Imperial porcelains are also on show at London University's Percival David Foundation (53 Gordon Square, WC1). "Rare Marks on Chinese Ceramics", organised jointly with the V&A, continues until May 28 1999. Meanwhile, Kensington Palace State Apartments stages a reconstruction of William and Mary's famed porcelain gallery in 1693 with displays of Japanese kakiemon and Chinese export wares, also until the spring.

Rossini sparks a feisty performance

OPERA

DAVID MURRAY

Barber of Seville
English National Opera

You could raise small quibbles about the ENO's latest revival of Rossini's *Barber of Seville*, in Jonathan Miller's 1987 production (re-staged by Henry Little). 100 minutes, with all the statutory repeats, is a lot for a Rossini comedy's first half; well before the end of the second half, one wished that the intrigue had a speedier conclusion.

Neither of the young male principals can sing quick downward runs cleanly (a point of technique that Rossini would have thought essential), nor – at first – the heroine, although this Rosina soon rose to more scrupulous form. All three of them let their pitch wander on passing high notes. The baritone and bass "villains" were too ready to talk and shout their way through their main arias, where full-blooded singing is always more effective in the end.

Although the smart modern translation by Amanda and Anthony Holden gets everything across very well, some musical points still grate: an excess of consonants and English diphthongs in fast music which sings incomparably better in Italian, and some clanging false stresses in the recitatives. One Holden or the other should spend an hour or two devising more fluent alternatives for their text.

Mark Shanahan conducted with unhurried elegance, which paid diminishing returns. As the evening stretched on, the ensemble between orchestra and anxious voices began to collapse. At the point of maximal divergence, it was comical to hear the singers *forcing* Shanahan to rise to the tempo they wanted.

Now, forget all that. This is a delectably fresh *Barber*. Its male leads, Christopher Maltman's Barber and Toby Spence's Count, are uncommonly young and bright; and Lesley Garrett sings her first Rosina, returning to the Coliseum after winning a much larger public through CDs and TV (a lot of her fans were at the Coliseum).

That hasn't compromised her singing. On the contrary, her stylish confidence – with a first-class trill, rare these days – was a continual pleasure, her feisty presence always clever and sparky. Mature, of course, but sexy; that lent extra piquancy to the Count's courtship, since Spence looks like a tall, greenstick choral-scholar (which he was, quite recently), and mugs like a bashful teenager. Thus far the voice lacks some body and weight, which it will surely acquire, but its incisive ring at high points carried him through everything that mattered.

Maltman's lusty Figaro, the ubiquitous barber and fixer, is almost insufferably smug: quite right, although he might send himself up a bit more. He delivers his famous number ("Figaro, Figaro!") with artful panache. Gordon Sandison's Don Bartolo remains a rich study, a gorgeously saurian old reprobate, and Mark Beesley's Don Basilio is impeccably gross and slimy. Claire Weston and Leigh Melrose lend lively distinction to lesser roles.

Barbers will always come and go, but this one sets high, satisfying standards in several departments. Unless you're gravely allergic to Rossini, or even if you are, this *Barber* may let you hear why the opera has earned its imperishable status, and still revels in it.

'Barber' continues at the Coliseum, London WC2 with the same cast until mid-January, and thereafter with two new principals.

Delectable: Toby Spence, Lesley Garrett and Gordon Sandison Alastair Muir

INTERNATIONAL

Arts Guide

ADELAIDE

OPERA
State Opera of South Australia
The Ring: second cycle of Wagner's opera. Performed in Australia for the first time since 1913. The Ring is conducted by Jeffrey Tate and includes Janis Martin among the cast; to Dec 4

AMSTERDAM

EXHIBITION
Rijksmuseum
Tel: 31-20-673 2121
Shakudo: display of Asiatic objects highly popular in Europe and imported in large quantities by the Dutch East India Company. Mainly they were luxury goods such as sword hilts and tobacco boxes; to Apr 5

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Pique Dame: by Tchaikovsky. Staged by Lev Dodin and conducted by Semyon Bychkov; Dec 4

CHICAGO

CONCERT
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Pierre Boulez in the world premiere of Thomas's Orbital Beacons, and in works by Debussy. With the women of the Chicago Symphony Chorus conducted by Duain Wolfe; Dec 1

COLOGNE

OPERA
Oper der Stadt
Tel: 221-221 8400
Die Vogel: first modern staging for Walter Braunfels's opera. Premiered in 1920, it was banned by the Nazis and largely forgotten until a recent recording. This production is conducted by Bruno Weill and staged by David Mouchtar-Samorai; Nov 30

FLORENCE

OPERA
Teatro Comunale
Tel: 39-055-211158
www.maggiofiorentino.com
La Bohème: by Puccini. Conducted by Semyon Bychkov in a staging by Jonathan Miller; Dec 3

HELSINKI

OPERA
Finnish National Opera
Tel: 358-9-403 021
Anna Bolena: by Donizetti. Conducted by Maurizio Barbacini in a new staging by Jussi Tapola, with designs by Anna Kontek; Nov 30; Dec 2, 4

LONDON

EXHIBITION
National Gallery
Tel: 44-171-839 3321
Mirror Image: Jonathan Miller on Reflection. Show exploring the representation of mirrors in art, curated by Miller and featuring loans from public and private collections. Includes Van Eyck's famous Arnolfini Portrait, and works by Freud, Caillebotte and George Romney; to Dec 13

Tate Gallery
Tel: 44-171-887 8000
Turner in the Alps: undertaken in 1802, this was J.M.W. Turner's first visit to continental Europe. The exhibition contains 68 works on paper, revealing the artist's initial impressions of the inspiring landscapes he encountered; to Feb 14

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Boris Godunov: by Mussorgsky. Conducted by Noel Davies in a new staging by Francesca Zambello, with sets by Hildegard Bechtler. Gidon Saks sings the title role; Dec 2, 4

THEATRE
National Theatre
Tel: 44-171-928 2252
Betrayal: by Harold Pinter. Trevor Nunn directs Pinter's 1978 play, with a cast including Anthony Calf and Imogen Stubbs; Lyttleton Theatre; Dec 4, 5

NEW YORK

Pierpont Morgan Library
Tel: 1-212-685 0008
Charles Dickens – A Christmas Carol: the manuscript of Dickens's novel is the centrepiece of this holiday exhibition; to Jan 3

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● La Traviata: by Verdi. Production by Franco Zeffirelli with a cast including Patricia Racette and Marcelo Alvarez. James Levine is the conductor; Nov 30; Dec 4
● Le Nozze de Figaro: by Mozart. Production by Jonathan Miller, with a cast including Felicity Lott and Barbara Bonney. James Levine conducts; Dec 1, 5

OTTAWA

EXHIBITION
National Gallery of Canada
Tel: 1-613-990 1985
Songs on Stone: James McNeill Whistler and the Art of Lithography. Around 200 works by the American expatriate, including drawings, etchings and paintings; to Jan 3

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
● Orchestre de Paris: conducted by Emmanuel Krivine in works by Brahms, Beethoven and Dvorak. With piano soloist Krystian Zimerman; Dec 2
● Orchestre de Paris: conducted by Emmanuel Krivine in works by Brahms, Beethoven and Dvorak. With piano soloist Krystian Zimerman; Dec 3

Musée d'Orsay
Tel: 33-1-4049 4814
www.Musee-Orsay.fr
Stéphane Mallarmé (1842-1898): retrospective exploring the work of the French Symbolist poet, and his influential relationships with his literary and artistic contemporaries; to Jan 3

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
The Merry Widow: by Franz Lehár. Conducted by Armin Jordan, with a cast including Frederica von Stade and Hakan Hagegard; Dec 1, 4

ROME

CONCERTS
Accademia Nazionale di Santa Cecilia
Tel: 39-6-6880 1044
● Orchestra and Choir of the Accademia Nazionale di Santa Cec: conducted by Norbert Balatsch in works by Beethoven. With piano soloist Michele Campanella; Dec 2
● Orchestra dell'Accademia Nazionale di Santa Cecilia: conducted by Vladimir Spivakov in works by Haydn and Handel; Nov 30; Dec 1

ROTTERDAM

EXHIBITION
Kunsthal
Tel: 31-10-440 0300
Up to the bare bones: Human remains in museums. An estimated 100,000 human beings have found their last resting place in Dutch museums, whether in the form of mummies, skulls, skeletons, reliquaries or otherwise. This exhibition is the first to address this phenomenon directly, presenting exhibits from medical, sacral, ethnographical and archaeological collections; to Jan 10

SAN FRANCISCO

EXHIBITION
San Francisco Museum of Modern Art
www.sfmoma.org
Alexander Calder (1898-1976): around 250 works, among them some of the best examples of Calder's formally innovative sculpture. Alongside the mobiles and stabiles are selected paintings, drawings and jewellery; to Dec 1

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
Peter Grimes: by Britten. Conducted by Donald Runnicles in a staging by John Copley, with sets by Carl Toms. The title role is sung by Thomas Moser; Dec 2, 5

ZURICH

EXHIBITION
Kunsthaus Zurich
Tel: 41-1-251 6765
Max Beckmann and Paris: more than 100 masterpieces of modern art from public and private collections around the world. Works by Beckmann are shown alongside paintings by Matisse, Picasso, Braque, Léger and Rouault; to Jan 3

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS

FT INTERVIEW LAWRENCE EAGLEBURGER

A diplomat's determination

The man appointed to resolve the issue of unpaid Holocaust-era insurance claims tells **John Authers** and **Richard Wolffe** of moral and practical dilemmas

Eagleburger: 'It's about the west's moral responsibility' Popper Foto

Lawrence Eagleburger, the former US secretary of state appointed to chair the international commission on European insurers who have never paid out on Holocaust victims' policies, faces a familiar dilemma.

As a career diplomat, he has deep principled objections to the use of sanctions. But, as other powerful US figures involved in attempts over the past few years to decide what Swiss banks should pay Holocaust survivors have discovered, some US politicians believe sanctions are appropriate. They are already preparing to impose them.

Mr Eagleburger's investigation, will take up to two years to establish how much insurers should pay to Holocaust victims, their families, or representative organisations. At stake could be very large sums and the reputations of some of Europe's biggest insurers.

He says: "I have almost never in my past incarnations been an advocate of sanctions. That isn't to say I totally reject [them]. But I don't know enough about what companies are out there that should be in the process. And I don't know how sanctions would work even if I knew which companies were involved."

The insurance regulators for California, Florida and New York, who sit on the commission with him, have threatened to impose sanctions on European insurers that do not provide full information about the Holocaust, or join the commission. They have legislation in place to do so. It is one of many indications for Mr Eagleburger, as he assesses his task a month after his appointment, that finding a solution regarding insurers and the Holocaust will be a huge diplomatic challenge.

Paul Volcker, former chairman of the US Federal Reserve who chaired the commission that tried to audit Holocaust victims' dormant accounts held by the Swiss banks, opposed sanctions. So did Stuart Eizenstat, the undersecretary of state who came close to brokering a settlement between the Swiss banks and the lawyers suing them in the US. He said that sanctions, as an aspect of foreign policy, should be left to the State Department, rather than to individual states and cities. That argument was reinforced by a federal court decision this month, which struck down a Massachusetts sanctions law against Burma as unconstitutional.

Mr Eagleburger says sanctions would not work, and that threats of sanctions at this stage are "counterproductive". He says: "Once you have sanctions, how do you get rid of them? I would not totally reject it, but I have no particular use for that as a means of leverage at this stage."

Unlike Mr Volcker, whose remit was to examine a small group of Swiss banks who agreed to the process in advance, Mr Eagleburger has to persuade companies to join the process. Six European insurers have agreed to be bound by the commission's decisions, and are represented on it. But several others, especially in eastern Europe, also have unpaid policies for Holocaust victims or surviving relatives.

Mr Eagleburger says: "The question in those cases involves not only other companies, but the governments of these countries, who need to be talked to as well. In a number of cases where there is a company which should be involved but isn't, I think the government should be involved. I'm prepared to pack my suitcase and my tin cup and go around Europe."

But apart from reasoned argument – or sanctions – he has little obvious leverage to win recalcitrant insurers over.

He also faces problems over how to conduct the investigation, and establish what happened. Unlike Mr Volcker, who undertook an exhaustive forensic audit of the Swiss banks, which still continues, Mr Eagleburger will not try to establish precisely the amounts owed by the insurers.

"The lessons of the Volcker commission need to be learned as I go on with our work. A lot of what the Volcker commission has done has been very useful in terms of avoiding pitfalls. I don't want this effort to end up spending a huge amount of money to establish facts, or try to establish facts, that I think can be apportioned at least in a general way in a less expensive process."

So Mr Eagleburger will rely on sampling, rather than on full forensic audits, to establish a fair sum. As the Volcker process has been at work since early 1996 and has still not produced a total sum for which the Swiss banks are liable, this seems to have the support of all sides. Mr Eagleburger now accepts that his work will take two years, despite his initial optimism that it could be done in one. However, he says: "I certainly don't want to go into 2001 with this not solved."

At 68, Mr Eagleburger is prepared to give up several lucrative directorships to throw himself into this work because it is an important issue for him. After a lifetime as a diplomat, including a long stint as ambassador to Yugoslavia, he became secretary of state under President George Bush, the first career diplomat in that position. In that capacity, he had to wrestle with how the US should respond to the early stages of the Yugoslav war, a moral dilemma with strong echoes of the west's inaction during the rise of Nazism and anti-Semitism in Germany.

"It's about the west's moral responsibility. We had a moral obligation from the beginning of the Holocaust and the whole process of the rise of anti-Semitism in Nazi Germany, which we didn't fulfil," he says. He believes the issue of recompensing Holocaust survivors has resurfaced so dramatically half a century after the second world war for reasons "as much psychological as anything", and that people in the west suffer "a sense of guilt which I happen to think is appropriate".

He adds: "We have a moral obligation to finally take a look in the mirror and say 'There but for the grace of God go we'. I have believed for a very long time, including when I was at the State Department, that the west in general has had some responsibility for the Holocaust. We either didn't want to hear about it or didn't much care."

LETTERS TO THE EDITOR

Currency ranges are necessary to fill worldwide rules vacuum

From Mr C. Fred Bergsten.

Sir, Ravi Bulchandani's criticism of my "How to Target Exchange Rates", (November 20) in his letter of November 24 is based on three fundamental misunderstandings of the proposal.

First, there would be no return to fixed rates. The suggested wide bands of 20 to 30 per cent assure that rates would continue to float virtually all the time as in the European Monetary System since 1993.

Second, the need for central banks to alter monetary policy to defend the bands on rare occasions is not aimed at promoting any "common good". As Paul Volcker has argued eloquently in the case of the United States, countries would strengthen their own economies' performance by taking greater cognisance of messages sent by the exchange markets. Such messages would be especially pertinent in light of the wide ranges envisaged.

Third, Mr Bulchandani's fear that the United States might at some point try to "depreciate its way to prosperity" would best be countered by adoption of currency ranges. They would fill the present vacuum in which there are no international rules or even informal agreements that deter competitive depreciation.

I agree with Mr Bulchandani that the European Central Bank should cut interest rates "early and often".

A currency zone arrangement that limited the permissible appreciation of the euro would be a very effective means to achieve that result, especially in a world with very little inflation where no one would argue that the Federal Reserve should increase US rates instead.

It is no surprise, however, that a currency strategist for a major financial institution would oppose a suggestion to increase, even modestly, the stability of exchange rates. As Volcker has emphasised, "financial institutions operating internationally have developed a substantial vested interest in market instability".

It can only be hoped that broader considerations will prevail in the debate that has been launched by the new German government.

C. Fred Bergsten,
director,
Institute for International Economics,
11 Dupont Circle,
N.W. Washington DC
20036-1207,
USA

Experience of ERM shows that wide currency zones need not be irrelevant

From Mr Avinash Persaud.

Sir, Your editorial on "targeting exchange rates" (November 26) makes a number of important observations but draws the wrong conclusion. One theory of exchange rate arrangements is that the more open an economy to international trade, the more vulnerable domestic policies are to being derailed by currency movements.

Consequently, the more pressure there will be for tight exchange rate arrangements. No wonder that 11 open economies in Europe are on the doorstep of economic and monetary union. No wonder too that the US is often a reluctant bedfellow in exchange rate arrangements.

Emu turns Europe from a collection of open economies into a fairly closed economy. International trade as a per cent of gross domestic product is close to 40 per cent in Germany but around 15 per cent for the euro-zone. It is about the same level in the US. Any exchange rate target zone between Europe and the US would have to be loose. But your leader is wrong to suggest that the feasible target zones would have to be so wide as to be irrelevant.

A similar view was held when the fluctuation bands of the ERM were widened from 2.25 per cent to 15 per cent on August 1 1993 in the face of speculation. Contrary to expectation, these bands have smoothly guided currencies towards Emu.

The +/- 15 per cent bands were stabilising because at the edge of the band there is so much downside to a failed attack that it stops speculation. Further, given how far the exchange rate would have had to move to get the edge of the band, there was reason to believe that interest rates would have moved in support of the band.

The near 80 per cent appreciation of the US dollar versus the yen between 1995 and 1997 triggered the Asian currency crisis, which provoked the Russian rouble devaluation, threatened the Brazilian Real and led to lower US rates anyway. Target zones should not be dismissed so lightly.

Avinash Persaud,
global head of currency research,
J P Morgan,
60 Victoria Embankment,
London EC4Y 0JP, UK

Evidence of credit craze inconclusive

From Mr R A Ledingham.

Sir, Professor Congdon's analysis of US bank debt, which leads him to the conclusion that there has been a credit craze rather than the danger of a credit crunch in the US (letters, November 23), is incomplete.

Leaving aside any discussion of whether a credit crunch is demonstrated by a reduction of new commitments rather than new lending, a large proportion of US commercial and industrial finance is provided directly by public bond and commercial paper markets. In the four weeks to October 26, US bank lending may well have risen by 1.9 per cent but during that period US bond markets were virtually shut to lower investment grade borrowers and a number of issuers were unable to roll their commercial paper in the market.

Part of the increase in bank lending cited by Prof Congdon will have been as a result of corporates drawing on commercial paper backstop lines and part will have financed redemptions in the bond markets. Unless these switches from public market finance to bank finance are addressed, no meaningful conclusion on the availability of US commercial and industrial credit can be reached.

The US public debt markets reopened to many corporate borrowers in November. It would be extremely unfortunate if any commentator were to conclude that the resultant swing back from bank finance to public market finance was indicative of a banking credit crunch in the US.

R A Ledingham,
The Old Hat,
Preston Bissett,
Buckinghamshire
UK

Number One Southwark Bridge, London SE1 9HL

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How to save Russia

The IMF is host to a group of Russia experts at a brainstorming session in Washington today. **John Thornhill** outlines what a briefing paper might say . . .

A silent disaster: many Russians live below subsistence level AP

If you have not already lain awake at night screaming about Russia, perhaps you should start. The prospect of the biggest country in the world crashing into economic disaster is rapidly developing from a remote possibility into a real danger, with an appalling impact on the country's 150m suffering people, and wholly unpredictable consequences for the rest of us.

Following the financial crash in August, 30 per cent of the population has slipped below the official monthly subsistence level of Rbs552 ($30). Last week, the Red Cross highlighted the "silent disasters" occurring in many outlying regions of Russia, such as Chukotka, where the average life expectancy has plummeted to just 34 years since the break-up of the Soviet Union.

Already, Russia has defaulted on its domestic debt, cutting itself off from the main means of financing its budget deficit and wiping out billions of dollars of foreign investors' money and domestic bankers' assets. Last week, the government entered into discussions to reschedule the Soviet-era debts it inherited. Unless it moves urgently to raise additional tax revenues, there is even a risk next year that it might default on its post-1992 eurobonds and $5bn of principal and interest repayments to the International Monetary Fund and World Bank.

That would not only spell disaster for Russia, by cutting it off from international finance for years to come, but would also represent a calamity for the fund, which has one-fifth of its outstanding loans committed to Russia. A default would create enormous cashflow problems for the IMF and severely limit its capacity to support other member countries.

Just imagine what mayhem Republicans in the US would make out of such a development in the run-up to the presidential elections.

There are signs that the Russian government is beginning to understand the seriousness of the danger. Yevgeny Primakov may not be Washington's idea of a model reformer, but he is perhaps the best prime minister Russia could wish for in the current circumstances. His main advantage is that he knows how to speak to parliament and build a consensus in a way no other prime minister has been able to do since 1991.

Mr Primakov may be the only Russian prime minister who could persuade the Communist-dominated parliament to adopt a tough budget. Cut off from external finance, the government needs to perform the seemingly impossible and run a sizeable primary budget surplus – unless it is to resort to printing money on a large scale.

There does seem to be a growing consensus in Moscow that the fiscal situation lies at the root of all Russia's troubles. In a discussion at the Carnegie Moscow Centre last week, Yevgeny Yasin, the former economics minister, said: "If we do not solve the problem of the budget, we will not be able to solve any other problem."

This view attracted no dissent at the meeting, in spite of the presence of several left-leaning economists opposed to Mr Yasin's liberal economic stance.

But drawing up a tough budget will be the easy part; implementing it is a wholly different challenge, as has been proved by the bitter experience of the past few years. The Russian government's attempts to keep its budget deficit under control have resulted in perverse and cruel outcomes, such as the build-up of massive payment arrears. Bluntly, the government has been able to keep spending under control only by failing to pay teachers and doctors their wages and pensions. Not only is this a humanitarian crime but it has also fatally undermined popular support for "market reforms".

The G7 countries could help fund, train and equip an efficient tax service to raise the revenue needed to rebuild the Russian state

As is to be expected, the Russian government is putting the IMF under enormous pressure to resume its lending programme on similar conditions to before. As ever, there is an implicit threat involved: unless you provide the money, the argument runs, we will be forced to print it.

But it is perhaps time to stop the charade that the IMF pretends to help and the Russian government pretends to reform.

We must acknowledge the extent of the fund's impotence. The lesson of the past few years is that the IMF cannot control the implementation of the Russian budget, no matter how much the international community might like it to. The fund was not designed to micro-manage other countries' economies. It does not have the skills, the experience, or the desire to do so. It should not trespass so far into the sovereignty of other nations as to dictate precisely how the government spends its money. Any such attempt would result in a fearful political backlash.

But the international community, if not the IMF, could still make one enormous contribution to Russian reform: not so much the Grand Bargain that was envisaged in 1991 as a Little Promise. In return for the Russian parliament passing a fair and reasonable tax code, the G7 leading industrialised countries could offer to help fund, train and equip an efficient tax service to raise the revenue needed to rebuild the Russian state.

Tax officials should be recruited from the best universities and paid well to remove the temptation of corruption. They should have the computers to establish a national tax register and the power to take on the criminal organisations that control so many economic choke-points.

One hope would be that fair taxation would result in more accountable political representation: the Russian public is more likely to complain about the government misspending their own money than someone else's.

The tax authorities have already got the message. They have been encouraging citizens to pay their taxes by plastering Moscow with posters declaring: "Nobody can help Russia apart from we ourselves."

The international community has been helping the Russian "oligarchy" to help themselves for far too long. Maybe it is time to start helping the tax authorities to help the people instead.

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
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Tough choices for Schröder

The leaders of France and Germany will meet in Berlin today for a full-scale summit, the first since Gerhard Schröder became German chancellor one month ago. Messrs Chirac and Jospin could be forgiven for asking some blunt questions about what his red-green coalition is up to, in its economic policy, its foreign policy and its European policy. Over the past few weeks, the signals from Bonn have been anything but clear.

Of course it would be wrong to expect total coherence from the new German government so soon. The Social Democrats (SPD) have not been in power for 16 years, and it is the first time ever for the Greens. On top of that, governing Germany requires a difficult balancing act between the federal government and those of the 16 Länder. Disagreements have already surfaced over the tax reforms at the heart of the new government's programme. Not only is industry predictably worried at an increased burden on small companies but so are the Länder governed by the SPD. That suggests a lack of consultation by Mr Schröder and Oskar Lafontaine, his finance minister, within their own party. It is also not clear how much they are talking to each other. If Mr Schröder is to set his seal on his government, and give it the pro-business character he promised during the election campaign, he may well have to clip Mr Lafontaine's more interventionist inclination.

The chancellor seems too often to want to please everyone: the business lobby, his own party, and his coalition partners. He has agreed to introduce new energy taxes, but wants to give exemptions to industry, to the anger of the Greens.

Foreign policy was supposed to be one area of continuity between this German government and the last. That belief may need to be re-examined. Joschka Fischer, the foreign minister and leader of the Greens, has already raised the question of "no first use" of nuclear missiles, to the consternation of Washington. That potential crack in the Nato alliance has been papered over, for the time being, although Mr Schröder kept quiet.

What is most urgent for the rest of the European Union, including President Chirac and Mr Jospin, is to get some German clarity on European issues: that means the process of EU enlargement to the east, and how to finance it, including cutting the cost of farm spending. Both Mr Schröder and Mr Fischer have made it clear they believe in enlargement, but do not want the process to be too hasty. They also want to cut Germany's budget contributions to Brussels, but are unclear on farm reform. Mr Schröder takes over the EU presidency on January 1. He is going to have to make some uncomfortable choices, and soon.

Chávez factor

Over the last 10 years, most of Latin America has learned to love the markets. Now one of the region's six largest economies – Venezuela – could be poised to change course.

Hugo Chávez, a charismatic populist politician who led an unsuccessful military coup only six years ago, has a strong lead in the opinion polls as the country enters the final week of its election campaign.

Mr Chávez's programme is ill-defined. Over the course of the year he has toned down investor-unfriendly rhetoric in favour of a more moderate tone.

He now says, for example, that foreign investors will be welcome and that contracts allowing overseas companies to exploit the country's vast untapped oil resources will be respected.

Yet there remains reason for concern, namely his enthusiasm for potentially divisive constitutional reform and nationalist economic policies.

The constitutional changes he hopes for would lead to a crackdown on the corruption and mismanagement that have traditionally plagued Venezuelan government and politics.

The principle should be welcomed. But the problem is that Mr Chávez is unlikely to command a sufficiently large majority in congress to effect these changes easily. If he presses ahead too fast, clashes with the country's traditional political establishment are likely.

Conflict with the senior military establishment, which still distrusts Mr Chávez for his role in the coup attempt in 1992, is also possible.

To make matters worse, some of his economic proposals appear hopelessly overambitious – especially when the country's straitened circumstances are taken into account. The fall in the oil price has hit public finances and the incoming administration will inherit a fiscal deficit of 5 per cent of output.

Yet Mr Chávez's advisers, many of them drawn from Venezuela's hard left, reject austerity and have been cheerfully promising grandiose public works and infrastructure schemes.

While Venezuela desperately needs to secure access to international capital markets, Mr Chávez's team has been advocating the renegotiation of the country's existing debt burden.

The risk of political instability after the election, plus an excessively expansionary economic policy, could damage Venezuela. Mr Chávez still has time to change tack and back more orthodox solutions to the country's problems. Further uncertainty over his intentions is likely to harm the interests of both Venezuela and foreign investors committed to the country.

The banker's lot

Not so long ago, commercial banking was an accountability-free zone in which the careers of top executives were marked by lengthy tenure and a high degree of job satisfaction. Last week's departure of Martin Taylor after five years as chief executive of Barclays suggests, at the very least, that the job is far from a sinecure today. Much the same could be said of Mathis Cabiallavetta, late of UBS, and David Coulter, formerly of BankAmerica.

If the rate of turnover at the top is accelerating, it reflects the very demanding nature of the challenges that commercial bankers now confront. These are all too similar to the dilemma highlighted by the Irish cab driver. The existing players are all starting from the wrong place.

The old core business of lending to large corporations has been irretrievably lost to the capital markets. Yet the culture of the investment bankers who inhabit the capital markets is not easily acquired by the solid citizenry of the commercial banking world. Proprietary trading has proved, at best, a low-quality substitute for interest income, while the wholesale lending that remains is increasingly risky.

Only two commercial banking giants, J.P. Morgan and Credit Suisse Group, have come close to making a successful move into the capital markets, one through internal change, the other by acquisition. Yet recent events have cast doubt on the success of their respective metamorphoses.

Serious questions are being raised, meantime, about the logic of Deutsche Bank's attempts to become a global player by buying the less-than-top-flight Bankers Trust. Those like Barclays that have retreated from such grand strategy have often made a messy tactical exit.

As for retail banking, the brutal calculus is that banking via the internet costs little more than one-tenth of old-style branch banking, with its huge sunk costs. Admired banks such as Lloyds TSB may yet find that their fat margins, built partly on customer inertia, are a hostage to competitive fortune.

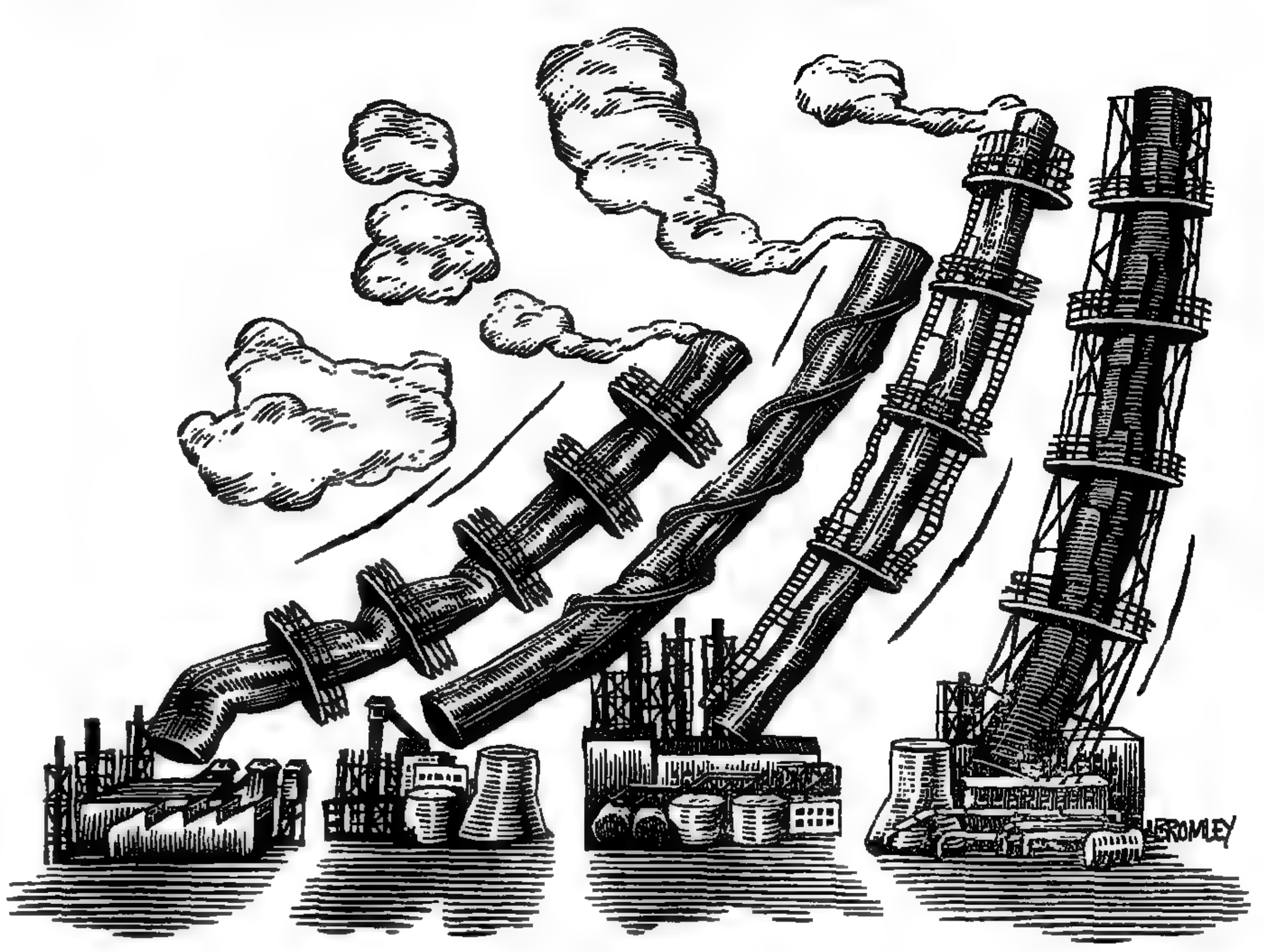
Any attempt to expand out of a mature industry by acquisition is fraught with difficulty. The problems of buying in footloose expertise in the capital markets has been amply demonstrated by Deutsche Bank and others. Yet to opt for the status quo is to invite new entrants to cherry pick the best business while the quality of the balance sheet deteriorates.

There are some business problems to which there are no wholly satisfactory answers. Yet the discipline that prevails in the boardroom and the markets demands little short of total satisfaction. Small wonder that follies are committed, boards disagree and even the keenest heads roll.

How the mighty are falling

Many big, capital intensive industries are locked in a damaging cycle of over-supply – and the swings may be getting worse, warns Tony Jackson

One of the vexed questions for the world economy is how far corporate earnings will weaken next year. But there is one group of industries whose earnings are already sliding into the abyss. These are the big, capital-intensive commodity manufacturers: steel, paper, petrochemicals and – the latest addition – memory chips.



Each of these industries is locked into a self-damaging cycle of overbuilding: an attempt to dominate the market with ever-larger plants, resulting merely in wilder swings in price.

Many executives blame the latest downturn on the Asian crisis. However, to a large extent, the crisis does not have an external cause but is simply the latest and most extreme expression of the cycle itself.

To an extent not always understood, the swings in those industries are divorced from the broader economic cycle. Demand for their output rises at a pretty steady rate, in good times or bad. What swings around wildly is the price – and that is a function not of demand but of supply.

Take a basic chemical such as ethylene. Suppose supply and demand are in balance, and that demand is rising at 3 per cent a year. No new plants are built, so after five years, demand exceeds supply by 16 per cent, and the ethylene price rockets.

This prompts the producers to expand capacity, by perhaps 30 per cent. There is now excess supply, and the price plummets. It takes another four years for supply and demand to get back in balance, and then the process starts again.

Worse, the plants have also got bigger. In the 1960s, an ethylene plant might have had an annual capacity of 100 tonnes. Today's figure is closer to 1m tonnes.

The same is true in the paper industry. Sappi, the South African producer, has just built a plant in Austria with capacity of 470,000 tonnes. European demand for that grade of paper is 3m tonnes, rising at 6 per cent to 7 per cent a year. So that plant alone accounts for more than two years' market growth.

Why do producers in those industries move in lock step, all building new plants at the top of the cycle? One reason is natural optimism: they think it will be different next time round.

Three years ago Union Carbide, the US chemical company, started giving separate results for its commodity businesses for the first time. The reasoning was explicit: this segment had lost $390m in the 1991-94 downturn, but would remain profitable through the next cycle. In the third quarter of this year, Union Carbide lost $13m in commodities, compared to a $125m profit in the previous year's third quarter. The company, of course, blamed the Asian downturn.

A second reason is what economists refer to as the hog cycle. Producers of pigs – hogs in the US – decide each year how many pigs to breed, based on prices prevailing in the previous period. Their collective decision, in turn, dictates prices in the next period.

An article in the Wall Street Journal last week drew attention to the present calamitous state of the US hog industry, with farm prices at their lowest for 27 years. As it happens, the problem is apparently that farmers are raising ever more enormous herds in an attempt to beat the cycle.

The third reason is perhaps the most insidious. Professor John Kay, of Oxford's Said Business School, drew attention in this newspaper recently to the so-called Nash equilibrium. Derived from game theory by the Nobel prize-winner John Nash, this describes a stalemate in which no player in the game can move without provoking countermoves from the others. As Prof Kay says, Nash's theory demonstrates that the higher the ratio of fixed costs to variable in a given industry, the more that industry will suffer from overcapacity. "Such an industry has to decide how much capacity to install, given that the price for your output will depend on the decisions of others," says Prof Kay. "If all your costs are variable, that doesn't arise. You can make decisions in the light of actual knowledge as you go along."

The most common response for players in capital-intensive industries is to go for size, in the hope of squeezing out competitors and reducing dependence on their decisions. Hence the recent spate of mergers, such as last week's $6.6bn purchase of Union Camp by the US's biggest papermaker, International Paper.

The other approach is simple gigantism. This is where Asia comes in. The two biggest steel plants in the world are in South Korea: the next is in Japan. Most of the world's new capacity in petrochemicals in the past decade has been put up in Asia. The same is true of memory chips, with Korean producers such as Samsung and Hyundai leading the charge.

In chips, the tactic was successful for a long while. US producers of commodity chips in particular simply withdrew in the face of the Asian assault.

But if such tactics make sense for an individual player in the short run, they cannot ultimately make collective sense for an industry. In those various industries, Asian producers were for a while the builders of last resort. Now, it seems, the volume game has reached stalemate.

What is the way out of this impasse? In some industries, the answer may lie in technology. In steel, the balance of power has already passed from the big old integrated mills to mini-mills – cheaper, smaller plants that make steel from scrap.

The same may one day be true in petrochemicals. A new technology called process intensification uses micro-reactors to produce chemicals on a tiny, flexible scale. In the long run, plants costing upwards of $500m may become obsolete.

But what of the commodity chip industry? The cycle in this business is somewhat different. Rather than building incremental plants, chipmakers scrap their plants every few years and build new ones – at a cost of up to $2bn apiece – to exploit the next generation of technology.

This is just about feasible if demand grows fast enough. But it will not do so for ever, any more than plastics could sustain their headlong growth of the 1950s and 1960s. And as growth slows, the payback period will lengthen, to the point where the economic model breaks down.

In the other, older industries the outlook may not be so stark. But in all of them, the strategy is the same: to cut costs and get bigger. The implicit assumption is that sooner or later, the good times will roll again. It would not do to count on it.

Deep pockets, steely nerve

The global memory chip market is not one for the fainthearted. Deep pockets and nerves of steel are prerequisites of survival. The market for Dynamic Random Access Memory chips (memory which requires continuous electric current), which make up about 10 per cent of the semiconductor market, is driven by the most basic of economic concepts: the supply, demand and price equation.

"The net result is a classic industry investment cycle," says Malcolm Penn, managing director of Future Horizons, an independent Europe-based semiconductor industry analyst.

D-Ram shortages, like the one in the mid-1990s, push up prices and lead to bloated profits, which encourage higher investment and new market entrants. High profits in good years enable the industry to increase capital investment. But this often leads to a glut. Inevitably, prices fall, profits shrink and there is a shakeout in both competition and investment. In the D-Ram market this has occurred in spite of continued strong PC sales – the main market for memory chips.

"The current downturn is the direct result of overinvestment in the 1993-95 period," says Mr Penn. "Given the high incremental investments – new factories only come in billion-dollar chunks – and the long lead time for implementation – two years from decision to full production – obtaining a perfect supply and demand balance is impossible."

The problem is made worse by companies' fear of losing market share. They are sitting on a pile of cash earned in better times and harbour perhaps unrealistically high hopes for the future. All this makes them delay the closure of surplus plant until losses become intolerable.

Even now, almost three years into the recession, and despite losing collectively $1.5bn a month, the industry has only just begun to take the painful steps needed to reverse the cycle.

As one senior South Korean industry executive is quoted as saying: "One year of windfall profit would more than make up for three years of hardship."

During the 1993-95 boom the industry made $2bn profit a month on 16Mb D-Ram chips – far in excess of the current losses. But over the past nine months reality has begun to bite. About $28bn in new semiconductor factory (or "fab") investments has been deferred or eliminated in 1998; since July the chip industry has cancelled, delayed or closed 22 fabs.

The US-based Semiconductor Industry Association estimates the overall memory market (including D-Ram chips) will this year fall by almost 26 per cent to $21.8bn. After that, predicts International Data Corporation, the relentless cycle will swing upwards again. But what, one wonders, will suppliers have learned in the process?

Paul Taylor

OBSERVER

Extra hot holidays

Don't all rush at once, but here's a day out with a difference in Ukraine. A Kiev tourist agency has added an extra-special treat for customers who tire of the region's standard package of medieval fortresses and gold-domed churches – a trip to Chernobyl.

The nuclear reactor, which exploded in 1986, was hastily covered with a concrete sarcophagus that's now said to be deteriorating; there's pressure from the west to get the entire complex – parts of which are still operating – closed down by 2000. Although the public has since been kept outside a 19-mile exclusion zone around the plant, specialist tours have taken place.

But now tour operator Liko-L says it's got the go-ahead to take people around and claims there's no risk; radiation is low and "not dangerous". So hurry, hurry. You can see the sarcophagus, visit the reactor chamber and have lunch in the canteen to the sound of clicking Geiger counters. "This trip will leave its mark on your soul for a long time," the tour firm proudly boasts.

Al's pal

Al Gore may have felt rather pleased with himself after plunging the recent Asia-Pacific summit into disarray by publicly praising Malaysian street fighters in their struggle for more democracy.

But Malaysian prime minister Mahathir Mohamad, who also tends to speak his mind, sees a crack in the American vice-president's case. He suggests that those Americans who take it upon themselves to criticise Malaysia's political system should take a long, hard look at their own.

"They have a corrupt system," he says. "When a person committed an offence, like receiving money during elections, the prosecutor who is his friend decided not to proceed with investigations. These are the type of people who had the audacity to come to our country and say that our system of justice is lopsided." Who on earth can he possibly be talking about?

Grand slam

Here's an idea that's bound to get Germany's world-beating sports stars jumping up and down on the spot. The Social Democrat-led government might slap a levy on its top athletes to help pay for grass-roots training and facilities.

Friedhelm Beucher, head of parliament's sports committee, says that when tennis greats such as Steffi Graf and Boris Becker began, they relied on clubs funded by the state. So it's only fair that when tennis players or footballers become sporting millionaires, they should expect to help fund the next generation of top sportsmen and women.

Beucher says he'd prefer voluntary contributions but isn't optimistic that anyone would heed the call to hand over some of their cash. The only other option is to make them legally binding, so a sports working group is looking at it. First thinking is that anyone earning more than DM1m ($600,000) annually will have to pay up. So stand by for a mass migration of German sporting heroes.

Glory be

Nicolae Ceausescu has long gone, but his taste for grandiose building projects didn't die with him. The Romanian government has just announced plans to help fund a massive new cathedral for the Romanian Orthodox Church.

In some ways, it seems only fair that a cathedral should be built – given that the old tyrant knocked down lots of churches and monasteries in favour of mega eyesores intended to glorify him and the state.

The cathedral – working title "The Salvation of the People" – is planned to seat 2,000 people with space for 20,000 outside, and will cover a near five-acre site.

All very well, but in a country with an average monthly wage of $120, it looks a touch grandiose. And since hundreds of village churches destroyed by Ceausescu haven't been – and are unlikely to be – replaced, some Romanians think giving priority to a new cathedral might not be the most useful response.

Bunker mentality

Any takers for a bijou 1,000-room property in a delightful rural setting a short ride from Bonn? It's got terrific security and it's own vineyard – on top of the building.

Until last December, the German government denied the very existence of the voluminous cold war bunker, built beneath the sloping vineyards of the village of Marienthal. It was intended as home for the cream of West Germany's ruling elite in the event of a Warsaw Pact attack.

Happily, it's now redundant. Not only has the iron curtain been drawn back but all the bunker's customers are off to Berlin when the capital moves next year. So, having first admitted its existence, the government now wants to sell it.

Bids are already coming in from potential investors. Plans include a disco, a wine cellar and even a mushroom farm. Whatever its final use, someone will have to think of a new name for the place. The Alternative Location for the Federal Constitutional Organs doesn't do it any favours.

The Financial Times

100 years ago

Electric Fears in Turkey
We are pleased to learn that His Majesty the Sultan has recognised the merit of Sir E. Ashmead-Bartlett by presenting him with a concession and an Arab steed. The concession is for a monopoly of electric lighting in the towns of Salonika and Smyrna, and should be profitable. It may be remembered that the Sultan objected to electric installations in Constantinople, fearing that conspiracies might be carried on by telephone and that bombs might be exploded in the palace by means of electric lighting wires.

50 years ago

All-Australian Car
Melbourne, Nov 29. Models of the new Australian-made car, the Holden, were shown here to-day to 1,000 guests of General Motors-Holdens, at their plant at Fishermen's Bend. A message from Mr. Chifley, the Prime Minister, commending the plant's enterprise, said that it was a gigantic venture which he was pleased to see reach fruition. Exceptional opportunities were offered to Australia, he said, to supply great areas of South East Asia and the Pacific countries.

FINANCIAL TIMES

MONDAY NOVEMBER 30 1998

THE LEX COLUMN

Trouble at the top

The Barclays Bank affair was clearly a corporate governance debacle of huge proportions. Disputes between Martin Taylor, the erstwhile chief executive, and his fellow directors were allowed to fester for so long they became poisonous. The lion's share of the blame for failing to nip these in the bud arguably rests with Andrew Buxton who, as executive chairman, was responsible for managing the board.

There have been two main sources of friction. First, non-executive directors felt they were not being properly informed of important strategic decisions, such as last year's disastrous auction of the bank's equity business. Perhaps there was no time for a board meeting. But Mr Buxton could have consulted non-executives over the telephone. Second, there was the antipathy between Mr Taylor and Sir Andrew Large, the executive deputy chairman. Having an executive chairman, an executive deputy chairman and a chief executive is a recipe for friction. But when rows started emerging, it was surely the chairman's role to resolve matters.

From a governance perspective, another worry is the misleading euphemisms used to describe Mr Taylor's departure. The Hampel committee suggested shareholders should have an explanation when a resignation results from a personality clash or policy disagreement. All the more surprising then that Barclays' senior non-executive, Sir Nigel Mobbs, was a member of the committee.

Mergers

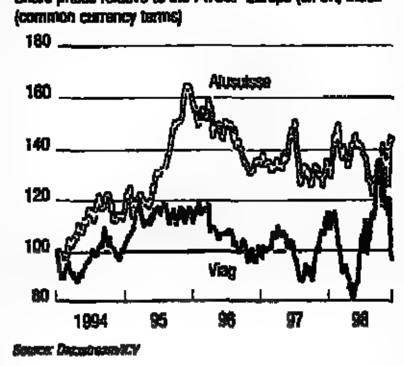
It seems to be a virtuous circle. Rebounding stock markets lift corporate confidence, triggering mergers which further titivate the markets. But the value to be extracted from mergers is questionable. Take "synergy benefits". Simplest to quantify are cost cuts. The $4bn savings guesstimate for Exxon/Mobil, for instance, has helped drive up their share prices. But such restructuring is expensive: the costs often wipe out at least one year of savings. The full benefits are distant – often three years away – and this gives plenty of time for competitors to respond. And the net effect is further muddied because each company could have made some cuts independently.

The benefits are more certain if the merger reduces competition to the point where prices can be put up. This is, of course, not boasted about for fear of provoking the competition authorities. Take the concentration of global insurance brokers: a recent survey of big insurance buyers found that 64 per cent of them expected fees to rise. This is apparently good news for shareholders. But clients dislike a concentration of power, witness Abbey National's defection from the new accountancy giant, PricewaterhouseCoopers. Add in management/culture issues and how often is it convincing that two plus two equals five?

Perhaps, in exuberant markets, mergers should more often be seen as defensive attempts to live up to unsustainable expectations.

Viag and Alusuisse

Share prices relative to the FT/S&P Europe (ex UK) index (common currency terms)



Source: Datastream/ICV

Viag/Alusuisse Lonza

Sadly, Viag is too thick-skinned to take the hints. Its tilt at Alusuisse has been punished with a 10 per cent share price fall over the last fortnight. Alusuisse, meanwhile, has surged on the juicy premium Viag is shelling out to the target's shareholders. Netting out these movements in the two companies' market values suggests this deal will destroy some £700m ($1.2bn) of shareholder wealth.

Clearly investors have little faith in management's promises of £200m annual cost savings, which, after one-off costs and tax, and on an earnings multiple of 10, should be worth more than £1bn in today's money. This is, of course, no surprise at all. Chief executive Wilhelm Simson's vision of a balanced conglomerate – containing electricity, telecoms, packaging, chemicals and aluminium businesses – is at odds with investors' hopes for greater focus. The disappointment is acute. Not only has Mr Simson eschewed focus, by deciding to develop the industrial businesses rather than selling them. *But he has done so in a way that will* stretch Viag's management to its limits – by buying another diversified behemoth.

If Viag must pursue its conglomerate philosophy, paying premiums to buy other conglomerates does not seem the best way forward. Piecemeal acquisitions *targeted at* each division would be much cheaper and should prove more manageable. Since shareholders stand to lose their shirts, they should reject this deluded deal.

London Electricity

So, it appears the French are as good as the Americans at overpaying for UK electricity assets. Paying more than £2bn for London Electricity looks extravagant. And if Eléctricité de France does carry off its prey, it looks doubly pricey, given the lack of synergies. EdF is unlikely to try to run London from Paris.

On fundamentals, it is hard to justify more than £1.5bn-£1.7bn. Take the distribution business. A bidder paying £1.7bn would be coughing up a 40 per cent premium to the regulated asset base. As for supply, that price also would assume a very generous £150 per customer. This is in line with National Power's take-out of Midlands Electricity's supply business, but it is still full. For one thing it values an incumbent customer base at around four times the cost of acquiring those customers from scratch.

The usual argument advanced by UK generators for buying supply businesses does not really apply to EdF. With just 6 per cent of the generation market, EdF does not need a supply arm as large as London to act as a hedge against swings in electricity prices.

Of course, EdF may simply be able to bid more than rival British Energy because, being state owned, it is under less pressure to seek a decent return on its investments. Entergy, London's US owner, should be celebrating, as should British Energy which appears to have narrowly escaped overpaying.

International bank loans to Asia in $51.7bn downturn

By Peter John in London

International bank lending to Asia fell by $51.7bn, or 14 per cent, in the first half of the year, the biggest decline in a decade.

Figures published today by the Bank for International Settlements *provide more evidence of the extent* of the shift of funds out of the region as a result of the economic downturn.

The Basle-based central bankers' organisation said cross-border lending by banks in leading industrial countries to *Asia fell to $324.8bn at* the end of June.

The $51.7bn decline on the previous six months was equivalent to Thailand's or Indonesia's estimated annual export income for the current year.

The organisation paints an even starker global picture for the three months to September, with figures for the quarter indicating liquidity in international debt markets virtually dried up.

"Financial turbulence in the first half of 1998 was associated with a massive withdrawing of international banking funds from Asia," said BIS.

It shows that the retreat covered all countries in the region, but affected South Korea and Thailand particularly strongly.

For a while, the shift of capital was partly offset by an increase of $14.9bn in lending to Latin America, with the bulk going to Brazil.

But that stopped in the summer and the turmoil assumed global proportions in August when the Asian crisis was compounded by Russia's decision to float the rouble and renege on debt.

Russia's move triggered a huge *flight to safety*, "a rush to liquidity ... the unwinding of large and highly leveraged exposures [and] fears of a systemic disruption," said BIS.

Global retrenchment was accentuated by the near collapse of Long Term Capital Management, the US hedge fund, and has led to a marked downturn in international banking and securities activity.

In the third quarter, syndicated loan volume dropped by 23 per cent to $204bn. This was partly because of the bleak economic outlook, but also because Japanese Banks had clamped down on lending earlier in the year and consolidation had cut the pool of European lenders.

Overall, net issuance of international debt almost halved to $126.3bn as volatility reached record levels. "Demand dried up for all but the most highly rated names while primary activity contracted for the second consecutive quarter," said BIS.

Fixed rate bond issuance fell by 17 per cent during the quarter. Floating rate issues were less badly *hit* as they were targeted by European banks under pressure to increase returns, but they still shrank by 6 per cent.

Malaysia contracts

Malaysia's recession deepened further in the third quarter when the economy contracted 8.6 per cent on an annual basis.

Announcing the figures at the weekend, Bank Negara, the central bank, indicated it would have to revise down its forecast of a 4.8 per cent decline in gross domestic product for the year.

But analysts say it is too soon to judge Malaysia's unorthodox *attempts to solve its economic* crisis. Prime minister Mahathir Mohamad has eschewed help from the International Monetary Fund and has imposed capital controls and pegged the currency. See report, Page 6

Franco-German alliance will be tested at two-day summit

By Robert Graham in Paris and Ralph Atkins in Bonn

France will today urge the government of Gerhard Schröder, German chancellor, to speed up agreement on European policies at a summit meeting that will provide a first test of whether the two leftwing administrations can embrace a common platform of policies.

The aim at the 72nd Franco-German summit, being held at Potsdam near Berlin, is to forge a joint position at the mid-December European Union summit in Vienna and enhance the Franco-German axis ahead of the launch of the euro.

At the two-day meeting, the French government will push for clarification of Bonn's position on the financing of the EU budget after 2000, as well as a decision on how the 11 euro countries should be represented abroad. Mr Schröder, optimistically, has said he hopes to conclude agreement on Agenda 2000 – a package of reforms of the EU's budget, the Common Agricultural Policy (CAP) and regional policy – during the six-month German presidency of the EU which begins in January.

Paris is also anxious to hammer out a shared view of macro-economic policies that could be activated should the French and German economies grow too slowly next year.

French officials admit they underestimated how much time it would take for the Schröder administration to agree a policy platform. Since well before Mr Schröder's election victory in September, the Socialist-led French government of Lionel Jospin has been preparing a series of initiatives to relaunch Franco-German relations. However, Paris has been frustrated by delays in Mr Schröder's choosing his team and by the confusion of ideas coming from the Social Democrat-Green coalition in Bonn. The apparent similarities between the two left of centre administrations have tended to obscure tough arguments that must now take place to resolve points of conflict over Agenda 2000.

At the last Franco-German summit in Avignon, in the South of France, Helmut Kohl, the outgoing German chancellor, gave notice of Germany's demand to reduce its contribution to the EU budget, accompanied by a heavy hint that France would have to contribute more.

French officials are aware a tough stance by Mr Schröder on this issue could undermine consolidation of the Franco-German alliance in the vacuum left by Mr Kohl's exit.

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Street children carrying candles were among the hundreds of Indians taking part in an Aids awareness march in New Delhi Picture: AP

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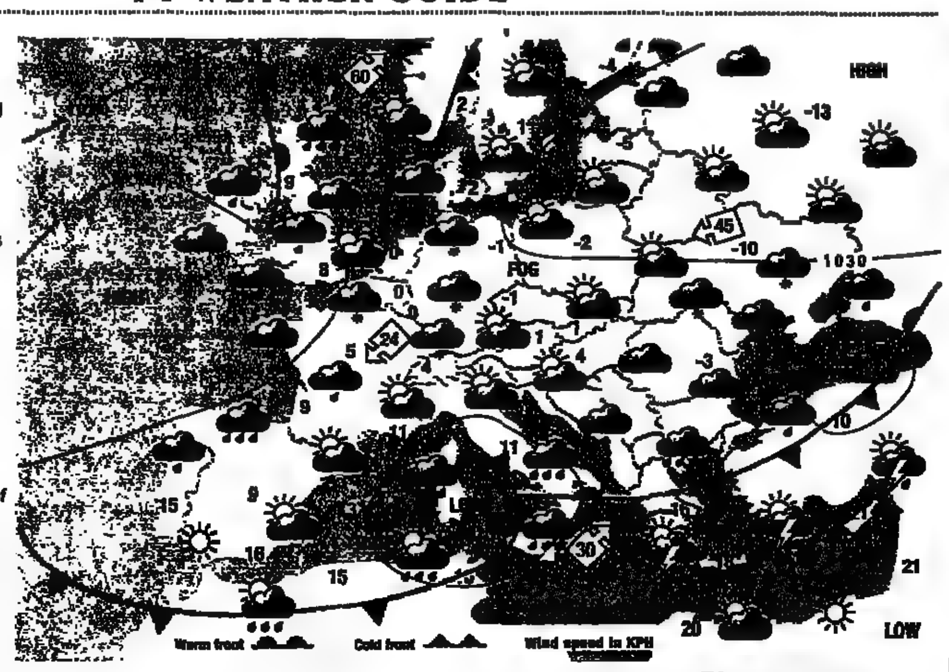
FT WEATHER GUIDE

Europe today

High pressure will continue over northern Europe. Overnight freezing fog will clear slowly, but sun will break through in places. There will be sunshine across Scandinavia, mainly around the Baltic sea. Farther inland, there will be snow. The Alps and the Benelux countries will have snow. Rain will spread south across western France into northern parts of the Iberian peninsula. The Spanish costas will be dry and sunny, but the rest of the Mediterranean will be unsettled with thundery rain.

Five-day forecast

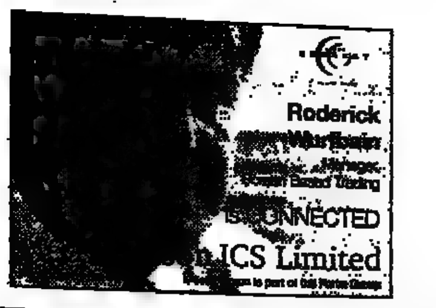
High pressure will stay across Europe, extending to the British Isles from tomorrow. *To the north of* the main area of high pressure, Scandinavia will stay unsettled with periods of rain and snow. The central Mediterranean will remain unsettled all week with further thundery showers expected.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	31
Accra	Fair	33
Algiers	Thunder	13
Amsterdam	Snow	0
Athens	Thunder	16
Atlanta	Fair	20
B. Aires	Sun	26
B.ham	Fair	7
Bangkok	Fair	30
Barcelona	Fair	13
Beijing	Fair	5
Belfast	Rain	10
Belgrade	Cloudy	2
Berlin	Snow	-1
Bermuda	Thunder	24
Bogota	Cloudy	18
Bombay	Sun	32
Brussels	Snow	0
Budapest	Fair	4
C.hagen	Snow	2
Cairo	Fair	24
Caracas	Fair	30
Cardiff	Cloudy	9
Casablanca	Sun	17
Chicago	Rain	13
Cologne	Snow	1
Dakar	Fair	29
Dallas	Fair	21
Delhi	Fair	28
Dubai	Sun	28
Dublin	Cloudy	11
Dubrovnik	Rain	14
Edinburgh	Rain	8
Faro	Sun	18
Frankfurt	Snow	0
Geneva	Snow	4
Gibraltar	Sun	18
Glasgow	Rain	9
Hamburg	Cloudy	1
Helsinki	Snow	-4
Hong Kong	Fair	24
Honolulu	Fair	28
Istanbul	Rain	11
Jakarta	Cloudy	33
Jersey	Fair	8
Johannesburg	Thunder	26
Karachi	Sun	30
Kuwait	Sun	31
L. Angeles	Thunder	17
Las Palmas	Fair	21
Lima	Fair	23
Lisbon	Sun	15
London	Fair	8
Lux.bourg	Snow	0
Lyon	Rain	3
Madeira	Cloudy	20
Madrid	Fair	9
Majorca	Shower	[illegible]
Malta	Thunder	16
Manchester	Cloudy	8
Manila	Fair	31
Melbourne	Fair	21
Mexico City	Fair	22
Miami	Thunder	28
Milan	Fair	6
Montreal	Rain	13
Moscow	Sun	-15
Munich	Snow	0
Nairobi	Fair	[illegible]
Naples	Rain	11
Nassau	Sun	27
New York	Fair	17
Nice	Fair	11
Nicosia	Thunder	18
Oslo	Fair	2
Paris	Rain	5
Perth	Sun	26
Prague	Snow	-1
Rangoon	Sun	34
Reykjavik	Rain	6
Rio	Thunder	26
Rome	Rain	11
S. Frsco	Thunder	12
Seoul	Shower	9
Singapore	Cloudy	32
Stockholm	Fair	1
Strasbourg	Snow	1
Sydney	Fair	20
Tangier	Sun	17
Tel Aviv	Sun	21
Tokyo	Rain	13
Toronto	Rain	17
Vancouver	Rain	5
Venice	Fair	5
Vienna	Snow	1
Warsaw	Fog	-2
Washington	Fair	[illegible]
Wellington	Shower	19
Winnipeg	Cloudy	1
Zurich	Fair	1



FINANCIAL TIMES

COMPANIES & MARKETS

© THE FINANCIAL TIMES LIMITED 1998 MONDAY NOVEMBER 30 1998 Week 49

INSIDE

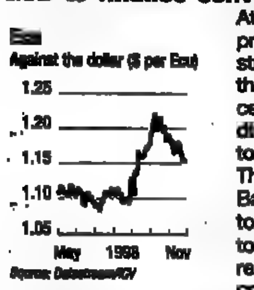
France Telecom sale oversubscribed

The French government has announced that all segments of the FFr60bn ($10.5bn) secondary offering of France Telecom, the partly privatised telecommunications operator, were comfortably oversubscribed. The sale is expected to yield about FFr36bn for the state and FFr23bn for the company. But analysts warned that the price of the shares is relatively high. Page 24

Analysts eye Exxon merger benefits

Analysts estimate that a combination of Exxon and Mobil might yield savings of up to $4bn. There are also possibilities for disposals and asset swaps. But in the long term it is the way in which the groups complement each other operationally and regionally that is likely to be decisive to success. Page 20

ECB to finalise convergence plans



Attention will turn to prospects for the strength of the euro this week as European central bankers meet to discuss the final run-in to the single currency. The European Central Bank council, meeting tomorrow, is expected to finalise plans for the remaining interest rate convergance among economic and monetary union participants. It is also likely to discuss the starting interest rate for the euro. Currencies, Page 26

Europe looks for further rate cuts

Economists say weakening economic conditions across Europe justify talk of interest rate cuts. German economic data to be released this week are expected to show falling third-quarter export demand. Euro prices, Page 27

Indian GDRs face uncertain future

Some investment bankers believe this is the beginning of the end for the market in India for global depositary receipts, the largest investment universe of its kind. Developments in the primary and secondary markets have raised doubts. But such predictions may be premature. International capital markets, Page 22

UK consumer trends in spotlight

The UK services sector will be in the spotlight this week, as retailers and pub groups report figures that may reveal weakening consumer confidence. Companies diary, Page 25

Pakistan awaits IMF deal approval

Investors in Karachi will this week look ahead to the final approval of a long-awaited deal with the International Monetary Fund, the first sign that the country may stave off a foreign debt default. But analysts were quick to dispel hopes of an upturn. Emerging markets, Page 24

Tokyo optimism unlikely to last

The optimism that drove shares in Tokyo to their highest levels in months last week is not likely to last. Even by the end of the week, the equity market had begun to fall. Analysts expect the Nikkei 225 average to hover around 15,000 in the short term. Markets week, Page 25

FT GUIDE TO THE WEEK

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WORLD AIDS DAY
World Aids Day tomorrow focuses on southern Africa, which faces an explosion in the HIV/Aids epidemic. Estimates say 1.4m people will have been newly infected in 1998 by the HIV virus, half of them in South Africa alone.

OSCE CONFERENCE
Foreign ministers from all 54 members of the Organisation for Security and Co-operation in Europe meet in Oslo on Wednesday for two days. Among other subjects, they will discuss the Kosovo verification issue.

SUMO WORLD TITLE
The two-day tournament of the seventh sumo world championships begins on Saturday in the Kokugikan arena in Tokyo. About 120 athletes from 35 countries will be competing.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

SECOND LARGEST LIFE ASSURER IN US GOES WITH TREND BY SEEKING INITIAL PUBLIC OFFERING

MetLife plans to demutualise

By John Authers in New York

Metropolitan Life, the second largest life assurer in the US, is to seek an initial public offering in a move that confirms the trend for the biggest US life companies to shed their mutual status. Most are mutual.

The company yesterday said the board had authorised management, led by Robert Benmosche, who took over as chief executive earlier this year, to develop a plan for demutualisation. The process is likely to take one to two years.

Earlier this year, Prudential Insurance of America, the largest US life company which is unrelated to the UK company of the same name, announced it was demutualising, shortly followed by John Hancock Mutual of Boston, one of the 10 largest.

Mutual of New York, the oldest US life group, demutualised earlier this month to become the Mony Group in a successful IPO.

All these companies said they needed a share price to use as acquisition currency to compete in a converging financial services market, where they face growing competition from mutual fund companies and discount brokers.

MetLife had announced it was undergoing a strategic review, but earlier this year it was leaning towards a "half-way house" in which it would list a subsidiary that would remain under the control of a mutual holding company. However, the legislature in New York state earlier this year decided not to pass the legislation which was needed to allow MetLife to do this, leaving the company to choose between full demutualisation or an unchanged status.

New York Life, the third largest US life group, has also examined moving to a mutual holding company, and there will now be speculation that it will also seek a full IPO. However, Northwestern Mutual, the other dominant mutual life group, has said it remains committed to mutual status.

It is unclear how big a valuation MetLife would command on listing. At the end of last year, it had total equity of $14bn, revenues of $24.4bn and net earnings of $1.2bn, which should ensure it valued comfortably in excess of $10bn.

MetLife may command a higher market value than the Pru on its listing. It has had legal difficulties over alleged mis-selling by its agents in recent years, but not on the scale of those suffered by the Pru. The company has one of the best-known consumer brands in the US, and has also moved into the fast-growing market for providing company retirement services.

MetLife has expanded aggressively outside the US, starting a joint venture last year in Indonesia to go with operations in Hong Kong, South Korea and Taiwan. It also has subsidiaries in Spain and Portugal.

Martin Taylor: finding his replacement is a top priority

Barclays aims to reassure investors over strategy

By Christopher Brown-Humes

Barclays will this week seek to reassure leading institutional investors over its strategy following the abrupt resignation of its chief executive, Martin Taylor.

It also faces a resurgence of merger speculation, driven by perceptions of its vulnerability and management disarray. Halifax and Prudential have both been mooted as potential partners, although Barclays insists that it is not involved in any "hot" merger talks.

Sir Peter Middleton, acting chief executive in succession to Mr Taylor, whose departure was announced on Friday, will lead the campaign to convince investors of the bank's strong underlying position.

"Shareholders who wish to talk to Sir Peter are going to be accommodated to make sure they have all the answers they need," the bank said.

It said it would be stressing the absence of black holes in its accounts, after warning last week that 1998 profits would be about £1.9bn, some £300m short of analysts' estimates.

It also intends to dismiss suggestions that Mr Taylor's departure was linked to disagreement over any particular merger plan.

Finally, it will insist that finding a new chief executive is a top priority.

Barclays said it was confident there would be no more senior executive departures. "We don't expect anyone to leave," it said.

It dismissed suggestions of big cutbacks at Barclays Capital, but said there was a continuing review of the operation that was likely to involve closer integration of its corporate and capital markets operations.

"The idea of Barclays Capital being closed down is not on the agenda," said one source.

Analysts think Barclays is unlikely to rush into a merger, given its current state of turmoil and the drop in its share price to £13.74p from a peak of £10.56p.

They say a tie with another high street clearing bank - such as Lloyds TSB or National Westminster - would face monopoly concerns. Such concerns could be intensified by the recent announcement that competition in UK banking is to be reviewed by Don Cruickshank, the former telecommunications regulator.

However, Barclays has not closed the door on discussions with other financial services groups and could see a merger as a way to gain a new chief executive.

Halifax declined to comment on reports of its interest in Barclays.

Four key events, Page 21

GE Capital targets collapsed LTCB unit

By Robert Thomson in New York

GE Capital is considering the purchase of the leasing operations of a failed affiliate of the Long-Term Credit Bank of Japan in what could be the largest overseas acquisition of a Japanese company.

A person close to GE Capital, the acquisitive financial services subsidiary of General Electric, indicated negotiations were under way for part of Japan Leasing Corporation, which collapsed with about Y2,300bn ($19bn) in debts in September.

GE Capital would not comment on Japanese media estimates that it is expected to pay between Y700bn and Y900bn for the leasing business of Japan Leasing, whose failure followed aggressive property-related lending. Negotiations are understood to be at an advanced stage.

The US company, chaired by Gary Wendt, is taking advantage of the turmoil in the Japanese financial industry and elsewhere in east Asia to strengthen its consumer credit and leasing businesses. It recently established a joint venture with Toho Mutual Life Insurance and has agreed to purchase Lake, Japan's fifth largest consumer credit company.

Mr Wendt wants GE Capital to offer as wide a range of financial services in Japan as it does in other countries.

A purchase of Japan Leasing would be more complicated, given that company's close links to powerful political groups in Japan, including agricultural co-operatives and the construction industry, both traditional allies of the Liberal Democratic party.

Japan Leasing, one of three leasing companies run by the troubled LTCB, filed for protection in late September in what was a symbol of the Japanese government's apparent willingness to let ailing financial institutions collapse.

The once conservative company strayed from its core leasing businesses, becoming a leading lender to developers during the "bubble" years of the late 1980s, and collapsing under the weight of its non-performing loans.

GE Capital is understood to be interested in the car leasing subsidiary of Japan Leasing and other parts of the company that would fit its plan to build a significant presence in the leasing market.

Hyundai points to $5bn in funds amid debt fears

By John Burton in Seoul

Hyundai, South Korea's largest conglomerate, said it had raised $5bn in overseas funds this year and expected another $4.5bn in 1999 as it sought to counter criticism that recent expansion would add to debt problems.

Analysts claim Hyundai, with debts nearly six times equity, will have problems meeting a government-imposed target of reducing debts to two times equity by the end of 1999, after buying the bankrupt Korean carmaker Kia and pledging to invest at least $1bn in North Korea.

Moreover, Hyundai suffered a setback at the weekend when the government and creditor banks rejected its demand for large debt write-offs and more loans for several troubled businesses that are being merged with rival conglomerates under a state-sponsored industrial restructuring.

Hyundai had sought new bank loans and debt-for-equity swaps in the mergers of its petrochemical, aerospace and rolling stock businesses.

The government, however, agreed to approve debt restructuring and new loans for Hyundai's takeover of a domestic oil refining company, Hanhwa Energy, since the merger was being supported by foreign investment.

Last week creditor banks agreed substantial debt relief to Hyundai for its purchase of Kia, with 80 per cent of Kia's debt principal of Won9,200bn ($7.4bn) being written off. But Korea's troubled banks are resisting more debt write-offs as that threatens to erode their capital base.

Hyundai said the $5bn in foreign capital had been raised through asset sales, new capital from foreign joint venture partners and convertible bonds.

Hyundai Electronics raised $2.16bn, including the sale of its US semiconductor unit, Symbios, for $864m to LSI Logic and the listing of its US hard disk drive company, Maxtor, on Nasdaq, raising $348m.

Hyundai Oil received $1.06bn, including selling half its oil refinery unit for $500m to IPIC, the state-run oil company of the United Arab Emirates.

Other Hyundai companies raised foreign funds through asset-backed securities and convertible bonds, including $512m for Hyundai Motor, $465m for Hyundai Heavy Industries, and $440m for Hyundai Merchant Marine.

PETER MARTIN
GLOBAL INVESTOR

Internet backers beware

Here is a message for investors in America's internet stocks: pay attention!

Look hard at the revenues of the companies you are bidding up to unsustainable highs. Think twice about how much America Online will really gain from acquiring Netscape. Make a calm assessment of how long it will be before e-commerce really transforms the way the world does business.

You may still conclude that companies with revenues of $20m justify market capitalisations of more than $3bn, or that AOL is worth 350 times earnings. But at least you'll be making those judgments on the basis of the stocks' fundamentals, not just because they're hot.

This isn't an argument based on the excesses of the market in net stocks, striking though they are. It's a more general case, based on past experience in a whole range of markets for equity and debt.

The most dangerous moment in any financial market boom is the one where the suppliers of funds stop paying attention. Investors or lenders start to take on trust the value of the assets for which they are providing the funds. They assume that a loan is safe because everyone else is doing the same thing. They look for the stocks that will go up because ... well, because everyone knows they'll go up.

That's how the Asian crisis started. But, as a perceptive paper* by two International Monetary Fund economists points out, there's nothing unique about the way that region's crisis developed. Jorge Chan-Lau and Zhaohui Chen argue that when banks stop monitoring their lending properly, small changes in the economic outlook can first produce a surge in lending, then an equally sharp contraction. Lenders suffer from "capital flow inertia". They keep on pumping in money long after they should have scaled back their activity; then, when the penny finally drops, they rush for the exit simultaneously.

The authors think this came about because the costs of monitoring loans in Asia's underdeveloped financial markets was high. When economic growth in the region became irresistible, banks that wished to participate could only do so by abandoning attempts to keep tabs on their loans. But, they say, this isn't just an Asian problem. Similar effects were at work in Latin America and in the US Savings & Loans lending disaster of the early 1980s.

The IMF paper is confined to bank lending. But it can also be applied to equity markets. Whenever it is expensive or difficult to monitor the value of assets, but the opportunity costs of missing out on an investment appear too high to resist, the same switchback effect occurs. Investors stop monitoring the underlying value of assets; instead, they look for the reassurance of momentum, of herd behaviour.

In the case of internet stocks, monitoring costs are high, since getting a real handle on how the technology will develop is prohibitively difficult. But reassurance has never been greater. Hot stocks took a battering in August and September but have now recovered all those losses, and more. New companies continue to come to market, to a rapturous reception. Even when something occurs that is an unmistakable sign of failure – Netscape's decision to sell itself to AOL – it is treated as the technology equivalent of the second coming, pushing up both companies' shares and leading to widespread predictions of a new era for e-commerce.

In short, no one is paying attention. In the near term, this could well lead – through the "inertia" phenomenon the IMF authors noticed in Asia – to further gains. In the long run, it is likely to lead to a sharp contraction in flows of money into the internet sector.

The parallels with the Asian crisis should not be pushed too far. But the general lessons are clear enough. The seeds of future crises are sown in the good times, when providers of funds no longer keep an eye on where their money is going. That's what is happening now. Pay attention!

peter.martin@FT.com.

**Financial crisis and credit crunch as a result of inefficient financial intermediation – with reference to the Asian financial crisis. Jorge A. Chan-Lau and Zhaohui Chen, IMF Working Paper WP/98/127, Washington DC.*

E-commerce stocks up, Page 21

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DERIVATIVES TRANSITION TO SCREENS MARKS DRIVE TO MEET CHALLENGE OF EUREX EXCHANGE

Liffe launches electronic trading system

The London International Financial Futures and Options Exchange, the world's third-largest derivatives exchange, today launches its much-awaited electronic trading system in a move that almost certainly heralds the end of floor trading in London.

The launch, just five months after the exchange's board of directors backed the shift to screen-based trading, comes 12 years after the London Stock Exchange closed its trading floor as part of "Big Bang" in 1986.

The transition to screens is designed to recapture Liffe's competitiveness, after losing in the past 12 months its dominant position to Eurex, the electronic system jointly owned by the German and Swiss derivatives exchanges.

Although both the London Metals Exchange and the International Petroleum Exchange will retain floor trading, Liffe is the last large "open outcry" operation in Europe. Liffe has about 1,500 floor traders, compared with just over 200 for the LME and IPE combined. "Liffe is finally embracing the future," said the head of derivatives at a US investment bank in London.

Liffe Connect, the electronic system, will initially be open for trading in only 75 of the exchange's equity options contracts. Liffe's futures and options contracts on the FTSE 100 and on its government bond and interest rate products will make the switch between April and July next year. More than 90 per cent of turnover will remain either on the floor or on its temporary screen trading system made available for daytime trading earlier this year.

Senior officials at the big international banks, which account for an increasingly large share of trading on derivatives exchanges, are divided on whether Liffe Connect will restore the exchange's dominant position in Europe.

Bankers say it is unlikely Liffe will win back majority share in the key future contract on the 10-year German government bond, the highest-volume contract in Europe.

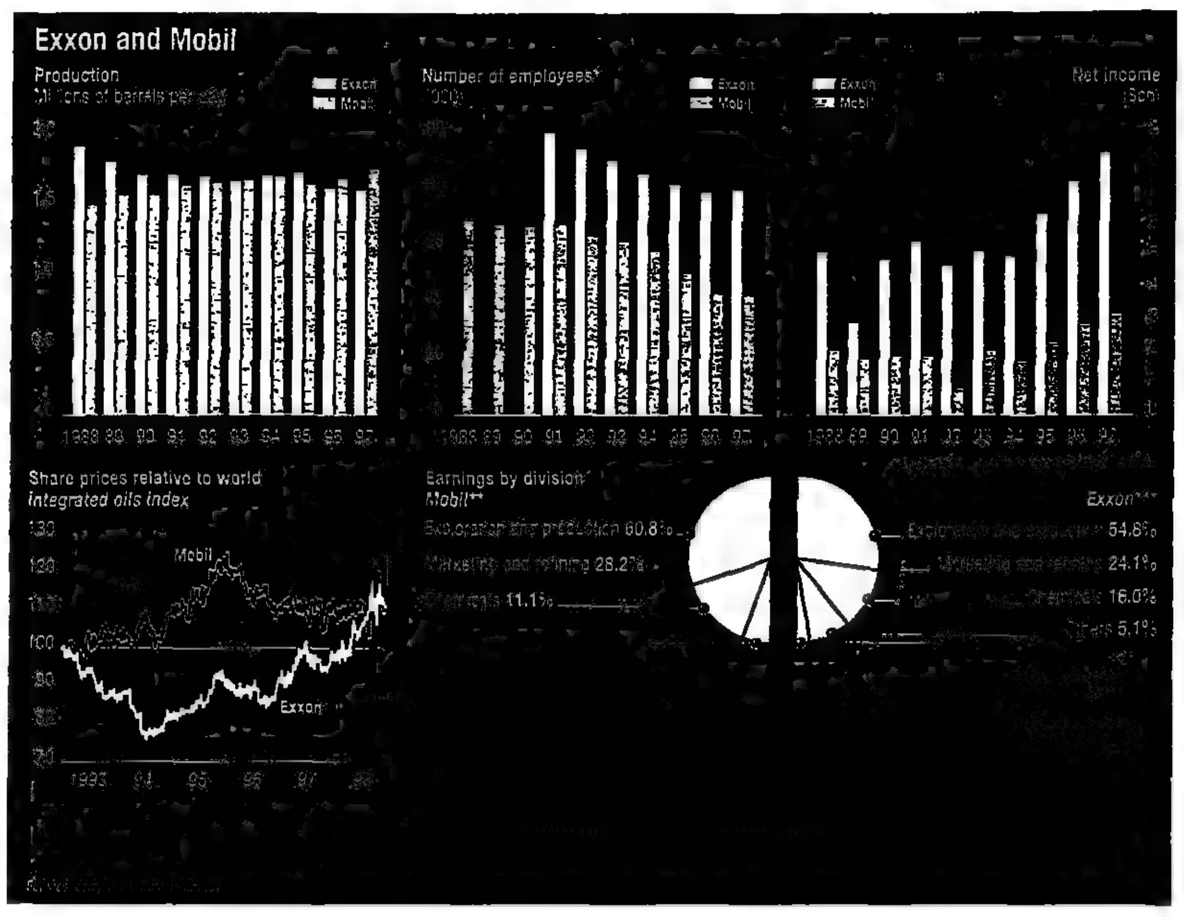
Last year, Liffe lost majority share in that contract to the Frankfurt based Deutsche Terminbörse, largely because DTB's electronic product proved more popular than Liffe's open outcry.

However, Liffe Connect is designed to be the world's most up-to-date and flexible trading system at a time when a growing number of users are complaining about the performance of Eurex's 10-year-old system.

The trading system will be open at the same time as the screens on the London Stock Exchange to enable users to trade simultaneously equities and the derivatives based on them.

Oiling the path to creation of a successful partnership

Christopher Parkes and Robert Corzine assess the benefits that may flow from the proposed Exxon and Mobil merger



It was a mere squib by comparison with the fusion experiment planned by Mobil and Exxon, but last week's agreed $1.1bn (£683m) merger between Houston energy independents Seagull and Ocean Energy provided a timely reminder of the benefits shareholders can expect – and the shocks ahead for employees – as oil industry restructuring accelerates.

The small-scale Texan neighbours said they could reduce combined operating costs by $45m a year, in part by shedding 35 per cent of their combined workforce, and sell $100m-worth of production assets. Capital spending, focused on the best of the rest, could then be cut by 15 per cent.

Rough estimates from analysts suggested the combination of Exxon and Mobil, details of which may emerge as early as this week, might yield savings of between $2bn and $4bn. Even though they have cut about 30,000 jobs in the past five years – a blood-letting which has helped keep them ahead of the pack in terms of profitability – more seem likely, given that Exxon, the dominant company, prides itself on being industry leader in net income per employee.

There is also room for disposals, whether voluntary – Exxon's recent history has been marked by constant upgrading of its assets – or forced by anti-trust regulators. Segments most subject to scrutiny are likely to include US chemicals and refining of both motor fuel and lubricants, especially in the north-east US, where the geographical overlaps are most obvious.

Merging two large asset bases would also provide opportunities for large scale swaps – perhaps on a global basis – that could reposition the combined group in new areas or markets.

But in the long-term, it is the way in which they complement one another operationally and regionally that could prove decisive to success.

In exploration and production, for example, Exxon's relatively heavy dependence on the US, and especially its mature but still large Prudhoe Bay field in Alaska, may be balanced by Mobil's wider spread of international assets. About 44 per cent of Exxon's current production is in North America, where it is the leading oil and gas producer, but only a third of Mobil's output comes from the region.

The combined group would have a sizeable presence in some of the most important emerging oil areas, such as offshore west Africa and the Caspian Sea. But unlike BP-Amoco, a giant all-American combination will still find its international ambitions hampered by US foreign policy, and the unilateral sanctions Washington has imposed on several big oil producers, such as Iran.

Exxon has been criticised for being slow to find and exploit replacement reserves, a reflection in part of relatively flat spending on capital and exploration for much of this decade. But even so, it says it has increased its proven and unproven resources by 18 per cent over the past decade to about 40bn barrels of oil equivalent, which includes natural gas. Mobil had reserves of 25bn barrels at the end of last year, a 30 per cent increase in the previous 24 months.

The geographical split is reversed in refining and marketing, where Exxon is more active outside North America, especially since Mobil's European operations were subsumed into the joint venture with BP.

There are now about 33,000 Exxon and Esso branded service stations worldwide, of which some 8,500 are in the US, where the company maintains 27 per cent of its global refining capacity. Half of Mobil's total of 15,000 stations are in the US, served mainly by five plants which account for 40 per cent of its refined products output.

The synergies in lubricants, one of the fastest growing and more profitable market segments, seem clearer. This is traditionally one of Mobil's strengths, accounting for more than a third of its refining and marketing profits. In the US it is the market leader, with a 12 per cent share.

The partnership with BP – Mobil is junior partner in fuels, but holds a majority stake in lubricants – claims about 18 per cent of the European market. Exxon has also made lubricants a priority. It is the world's top producer of lubricant base stocks and has been pushing into new markets and promoting brands in a drive which, it says, has lifted sales more than 12 per cent in past five years.

Both also have strong domestic and international positions in natural gas, favoured as the fuel of the future for power generation, domestic use and even in advanced fuel cells which many see as the key to pollution-free motor vehicles.

Natural gas usage is expected to grow fast in the next decade both in the US – where the partners account for about 20 per cent of current production – and in the Asia-Pacific region – where both groups are active explorers and developers. Consumption in Europe – where Exxon has 60 per cent of its proven reserves as well as a big stake in the highly profitable Groningen field in the Netherlands – is predicted to rise almost 40 per cent by 2010.

A merger would also fill a big gap in Exxon's gas asset portfolio. It has yet to build a liquefied natural gas business, while much of Mobil's profitability has been built on high returns from its Arun LNG business in Indonesia.

In chemicals, Exxon is ranked as the third biggest producer in the world and is more than twice as big as Mobil in terms of volume. But adding the smaller company's output will bolster its leading position in key products such as olefins, the basic material of the petrochemical industry.

The companies also have complementary assets in polyethylene, and paraxylene – used in fibre, film and plastic bottles – one of the most sought-after petrochemical products.

Their investments in Asia, including chemicals operations spanning Malaysia, Japan, Korea, Singapore and Australia, have felt at first hand the sting of the region's economic upheaval.

But there are latent advantages in the structure of their Asia-Pacific operations, especially the absence of overlapping interests which may slow integration elsewhere. Each has a refinery in Singapore, but Exxon has plants in Thailand and Malaysia where Mobil has none.

Ironically, it is here that the partners' complementary strengths might be expected to produce the earliest benefits when Asia's growth picks up from the slump which, along with depressed oil prices, forced them together in the first place.

Independent Insurance may buy parts of GRE

By Christopher Brown-Humes

Independent Insurance is understood to be interested in buying the commercial and health insurance operations of Guardian Royal Exchange, the UK composite insurer which put itself up for sale last week.

Such a move would more than double Independent's size, as it would take in GRE's PPP healthcare business, the UK's second largest health insurer which GRE acquired earlier this year for £435m ($700m).

Talks between the companies have not yet taken place.

Independent dismissed reports that it was interested in buying GRE's general and motor insurance business.

It said: "We have seen the speculation in the press, which implies Independent is looking to move into commodity personal lines business. It is not intending to do so. In line with its strategy for growth, the group continually reviews a number of market opportunities."

As GRE has a market capitalisation of about £3bn, making it six times the size of Independent, the structure and financing of any link would be crucial. One report – on which Independent declined to comment – suggested it might be interested in reversing into Guardian.

GRE's UK commercial and health operations account for some 20 per cent of its business portfolio.

Independent is likely to face competition from a number of leading insurers, which have been mentioned as possible bidders for all or parts of GRE. These include Axa of France, Royal & Sun Alliance, Norwich Union, Allianz of Germany, Allied Zurich, and AIG, the US insurer.

Independent was set up 12 years ago through a management buy-in of another company, and has grown rapidly under its chief executive, Michael Bright. It specialises in commercial insurance and non-standard motor and home insurance. Earlier this month, it said it had abandoned plans to enter the life and pensions market.

Analysts are forecasting £50m of operating profits for the current year and £70m-£75m for next year.

This year's figures will be hit by a £15m provision for storm-related losses.

GRE declined to comment on the identity of the bidders or timetable. Its shares closed at 336½p on Friday, valuing the company at just under £3bn.

TM forms largest newsagency

By Thorold Barker

TM, the retail and vending company, has bought Martin Retail, owner of Martin and RS McColl newsagents, for £75m ($125m) cash, creating the UK's largest newsagent.

The combined group will have 1,420 outlets and turnover of some £1bn. About 200 will be convenience stores, with a broader product range and often licensed to sell alcohol.

It will retain three brands, because of their strengths in different parts of the country. Forbuoys, TM's format, and Martin are based in England and Wales, while RS McColl is in Scotland.

James Lancaster, chairman and chief executive of TM, said: "The two businesses have little [geographic] overlap and the acquisition of Martin Retail Group will give us extensive coverage throughout the UK."

The deal would improve purchasing power and efficiency, as Forbuoys would use Martin Retail's more advanced information technology systems and its central distribution.

HSBC Private Equity and Electra Fleming, the original backers of TM's 1995 management buy-out from American Brands (now Fortune Brands), supplied additional equity for the deal, as did the management. NatWest Acquisition Finance provided senior debt and placed private loan notes.

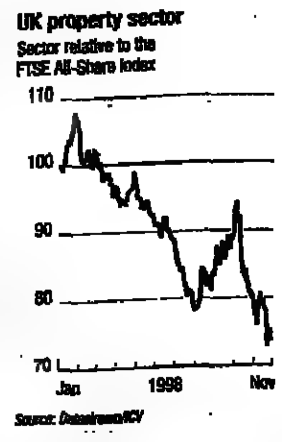
Mr Lancaster said TM was planning to float in the millennium, if the stock market became more favourable to small companies.

In the year to November 29 1997, TM made operating profits of £21m, including an exceptional charge of £1.3m, from turnover of £530m.

Martin Retail, which was owned by a consortium of banks, made operating profits of £12.5m on turnover of £410.6m in the year to April 26. Martin was advised by Lazard Brothers.

COMMENT

UK property



Source: Datastream/ICV

To industry watchers, it feels as though the property sector never really came back from its summer holidays. The market is waiting for big new lease agreements, or some buying and selling of assets so as to get a fix on where capital values are heading. Instead, there is a sense of drift, and property shares keep sinking. The sector has underperformed the market by some 30 per cent over the past year. Even international market turbulence failed to draw investors to property's defensive qualities: in a potentially deflationary environment, investors want cash, not property.

Where does this leave valuations? Property stocks are now trading at 15-20 per cent discounts to net asset values. This is pricing in a recession, albeit not so severe as the last one when speculative building and overstretched balance sheets exacerbated the crunch.

Some caution is, of course, warranted. Rental growth next year will be minimal – in the City it may grind to a halt. In this climate, any bad news – such as signs of assets being offloaded at a loss or news of big cuts in the City – could cause another bout of jitters.

But for now, the industry looks well set to weather a minor downturn. Vacancy rates are about 2 to 3 per cent in central London, compared with more than 10 per cent in the last recession. Bigger quoted companies, such as British Land, offer earnings stability from long leases. The sector's gloom has been overdone.

Independent Insurance

Independent Insurance may be keen to get bigger, but it should not do so at the expense of its specialist reputation. So it is wise to scotch rumours that it is interested in Guardian Royal Exchange's mainstream UK home and motor business. Putting in a bid for GRE's commercial lines makes much more sense. Independent has a commercial business and a reputation for galvanising acquisitions. But it seems its ambitions also run to the PPP healthcare division, which would roughly double its size. This would stretch Independent beyond a cash bid from existing resources and, with its once high-flying shares near their 12-month low, this is not a great time for a rights issue. So could it get the parts it wanted by reversing into GRE and splitting it up? Surely GRE can do this for itself.

3i falls less than FTSE indices

By Katharine Campbell, Growing Business Correspondent

The value of 3i's portfolio dropped sharply in the six months to September 30, along with the p/e ratios of smaller UK companies.

But profits on exits from several investments earlier in the period – from flotations and trade sales – helped the venture capital group outperform the FTSE All-Share and the FTSE SmallCap indices.

3i reported a total return on opening shareholders' funds of minus 9.4 per cent for the six months, while fully-diluted net asset value fell 9.8 per cent from its March 31 level to 525p a share.

Brian Larcombe, chief executive, warned of a "challenging" climate, but said there was "every prospect" the UK economy would avoid recession.

3i's Enterprise Barometer, measuring sentiment among portfolio companies at the end of October, fell slightly after a sharp fall in the previous quarter. The economic chill is already affecting parts of the business, with 36 companies failing, up from 25 in the same period last year. New provisions rose from about £10m to £64m.

The unrealised value of the unquoted stocks in the portfolio slumped by £502.7m, because the fall in SmallCap multiples meant 3i was applying an average p/e of 8, compared with 11.3 at March 31. At the same time, average earnings growth of portfolio companies was up 11 per cent, described as "quite comforting".

Realised capital profits, which included 16 flotations, leapt from £22.4m to £118.1m – an uplift of 65 per cent over book value.

Mr Larcombe said the early summer buoyancy helped the company outperform the FTSE SmallCap index, which fell 23.6 per cent, and also beat the FTSE All-Share, which declined 14.6 per cent.

Expecting a weakening economy and feeling that prices for private companies were "running away a bit" earlier in the year, 3i has applied the brakes on new investment in UK management buy-outs and buy-ins.

Including funds managed on behalf of third parties, it invested £332.1m in the UK, 32 per cent less than in the same period last year. By contrast, it more than doubled its exposure to continental Europe – spending £113.2m – with Spain by far the most active market.

The interim dividend is raised to 4.3p (3.9p).

INTERNET HIGH HOPES FOR ROBUST SALES

Stocks jump as Christmas approaches

By John Labate in New York

The start of the holiday shopping season may only have begun last week, but investors in US electronic commerce stocks have already been placing their bets as to who the likely winners in the sector will be.

Among the steepest climbers has been eBay, one of a handful of thinly-traded online commerce companies investors are hoping could become the next Microsoft or Amazon.com.

The group, which operates a leading online auction site, went public at $18 a share in September. On Friday, its shares closed at $218, a rise of $13¼, giving it a market capitalisation of more than $8.6bn, above retailer Kmart ($7.7bn), engineering group Ingersoll-Rand ($7.9bn), Bankers Trust ($8.3bn) or Delta Air Lines ($7.9bn).

"You'd think you're dealing with companies like Wal-Mart, when some of these [Internet] companies have annual revenues of less than $100m," said Randall Roth, at Renaissance Capital.

In the case of eBay, even $100m may be a stretch. In its latest financial quarter the company had a scant $13m in revenues, although it managed to do that rare thing among young internet companies – report a profit.

Behind November's share price frothiness are high hopes for robust internet shopping during the holiday season and beyond, following strong third-quarter performances for some leading internet companies.

Industry analysts, meanwhile, continue to raise their expectations for online commerce as more consumers log on. According to a recent survey by Forrester Research, online sales this year should be nearly treble last year's levels, reaching $7.8bn. The same study also predicts that by 2003, online sales will account for 6 per cent of all US consumer retail spending.

Such potential continues to change the way internet stocks are valued, as analysts try to justify stratospheric share prices.

"Their financial value is a function of how fast they can grow their top lines, and we'll worry about bottom line growth later," said Scott Sipprelle, IPO analyst at Midtown Research Group in New York.

But for some of these companies, expectations are for annual growth of 100 per cent or more, in what will no doubt become ever more competitive online niches.

In the case of eBay – considered a leader in web-based auctions, with a customer base of nearly 1m – expectations are clearly edging toward the high side.

"Some future mutant form of eBay will be a direct threat to classified advertising, the bread-and-butter profitability of newspapers," says Phil Leigh, internet analyst with Raymond James Financial.

But the question remains whether eBay will be the "category-killer" company that leads the way several years from now, in much the same way that Amazon.com has managed to maintain its brand dominance in online bookselling.

See Global Investor

Usinor issues profits warning

By David Owen in Paris

Shares in Usinor lost ground on Friday after Francis Mer, chairman, warned that the French steelmaker's final-quarter performance would not be in line with previous expectations.

Mr Mer told L'Agefi, the French financial newspaper, that due to a decline in spot market prices, higher imports and accelerated destocking in the downstream sector, "our fourth quarter cannot be in line with what we were anticipating three months ago".

In the first six months of this year, Usinor's net attributable profit more than doubled to FFr2.04bn ($356m).

Separately, Société Générale, the French bank, launched an innovative FFr2.2bn to FFr2.5bn issue of bonds convertible into Usinor shares.

The instruments were said to be a novelty since they give the issuer the option of redeeming them for new or existing shares.

Usinor shares closed down FFr2.60, or 3.9 per cent, at FFr63.90.

How Barclays chief came to grief

Four key events – and four knights – played a part in the downfall of Martin Taylor

By Hugo Dixon

Barclays Bank is blessed not just with one knight on its board, but four: Sir Andrew Large, Sir Peter Middleton, Sir Nigel Mobbs and Sir Nigel Rudd. All four played key roles in the departure of the bank's chief executive, Martin Taylor, last week.

Although the announcement of Mr Taylor's departure was full of warm words, his relationship with his board had been deteriorating for a year, and he had threatened to go on several occasions.

Moreover, two months ago, Andrew Buxton, Barclays executive chairman, contacted headhunters Spencer Stuart with a view to finding a new chief executive. One director says that if Mr Taylor had not jumped last Thursday night, at an emergency board meeting, he believes he would have been pushed.

How did the relationship between Mr Taylor and his board deteriorate so badly? Though the story is still murky, there seem to have been four key events. First was the sale of BZW's equities and advisory business last year.

Not only was the sale itself controversial – the choice of a public auction has been criticised for not being the best way to achieve a good price. Several non-executive directors felt they were not consulted until the decision was too late to reverse. Sir Nigel Rudd is said to have been particularly angry.

The second event was the appointment of Sir Andrew Large as executive deputy chairman in May. As well as this role, he also wanted to take over as chairman of Barclays Capital – what remained of the investment bank after the sale of the equity and advisory arm.

But Mr Taylor would not agree. That left Sir Andrew without a clearly defined job. And, in an attempt to carve out one, he is said to tried to involve himself in what other members of the executive were doing. That not only put Mr Taylor's nose out of joint, it also irritated other members of the executive. Things reached such a pass that Mr Taylor last month asked Mr Buxton to remove Sir Andrew.

The third event was August's Russian crisis, in which Barclays Capital lost £250m. According to several directors, Mr Taylor was extremely stressed during this period. He had chaired the credit committee that approved the investment in Russian bonds.

He had also assured investors that Barclays Capital would be a viable business shorn of its equity arm. So worried was he that the business was undermining shareholder value, Mr Taylor launched a strategic review of the business. That, though, irritated several members of the board who thought he was being panicked into decisions.

'Rightly or wrongly, he had told all his executive colleagues. I think that really did burn the boats. It's very difficult to sit there and push the thing forward when you've said you're going'

The fourth event was a board meeting in New York last October. At this, Mr Taylor revealed his desire to split the bank into a retail and a corporate bank, to stop the volatility of the corporate bank's earnings tainting the value of the retail business. One possibility would have been to merge the corporate bank with a similar continental European business, while merging the retail business with a UK retail bank.

This did not go down well with other directors. Apart from criticising the attractiveness of the scheme, several were worried that the plan had not been backed up with hard figures.

The denouement came last week after a story in the Sunday Telegraph suggesting that Mr Taylor was pressing ahead with plans to split Barclays into two. Several directors felt they were being bounced by Mr Taylor into a plan they had already opposed. But, according to Mr Taylor's friends, he was not the source of the article. Instead it was planted by his enemies to undermine him. Yesterday the Sunday Telegraph said Mr Taylor was not the source.

On Tuesday, Mr Buxton called Mr Taylor from Jeddah. He raised the matter of the Sunday Telegraph article and was told by Mr Taylor that he planned to resign. They agreed to talk it over in more detail when Mr Buxton arrived at Riyadh that evening. But when Mr Buxton arrived at his hotel that evening, his hotel floor was littered with faxes. He discovered that Mr Taylor had already informed many of his colleagues.

Sir Peter said on Friday: "Rightly or wrongly, he had told all his executive colleagues. I think that really did burn the boats. It's very difficult to sit there and push the thing forward when you've said you're going."

Things then moved rapidly. Mr Taylor had lunch the following day with Sir Nigel Mobbs, the senior non-executive director. He also had talks with Sir Peter Middleton. But, after sounding out the executive committee, both knights concluded there was no way of putting the genie back in the bottle. Mr Taylor's resignation was formalised on Thursday night. It was a matter of picking up the pieces as best they could.

Food group may change equity

By Jeremy Gray in Amsterdam

CSM, the Dutch foods manufacturer, is considering a change in equity status that would improve shareholders' voting rights and weaken its defences against hostile takeovers from 2000.

The announcement came on Friday as CSM unveiled a 10.6 per cent rise in 1997-98 net profit – complete with its first breakdown of divisional performance – and forecast a further rise in earnings this year.

Jaap Vink, chairman, said CSM was weighing replacing its non-convertible depositary receipts with depositary receipts with "limited voting rights" at the annual meetings. The move would end a long legal battle with the Amsterdam Stock Exchange, which maintains that such takeover barriers violate shareholders' rights.

CSM is the last large Dutch company to cling to the non-convertible class, which accounts for more than 90 per cent of its listed equity. The practice dates back to 1973, when CSM replaced its ordinary shares with the non-convertible variety after a hostile bid by Scholten Honig and Suikerunie, a rival foods maker.

Mr Vink said the new voting rights would apply primarily in "times of peace", giving individuals with up to 1 per cent of issued equity a say in management decisions. (CSM's largest shareholder is ABP, a pension fund that owns 4.9 per cent.)

The change, which will be put to shareholders in 2000, would move CSM into line with a Dutch law on corporate legal protection due to come into effect next year.

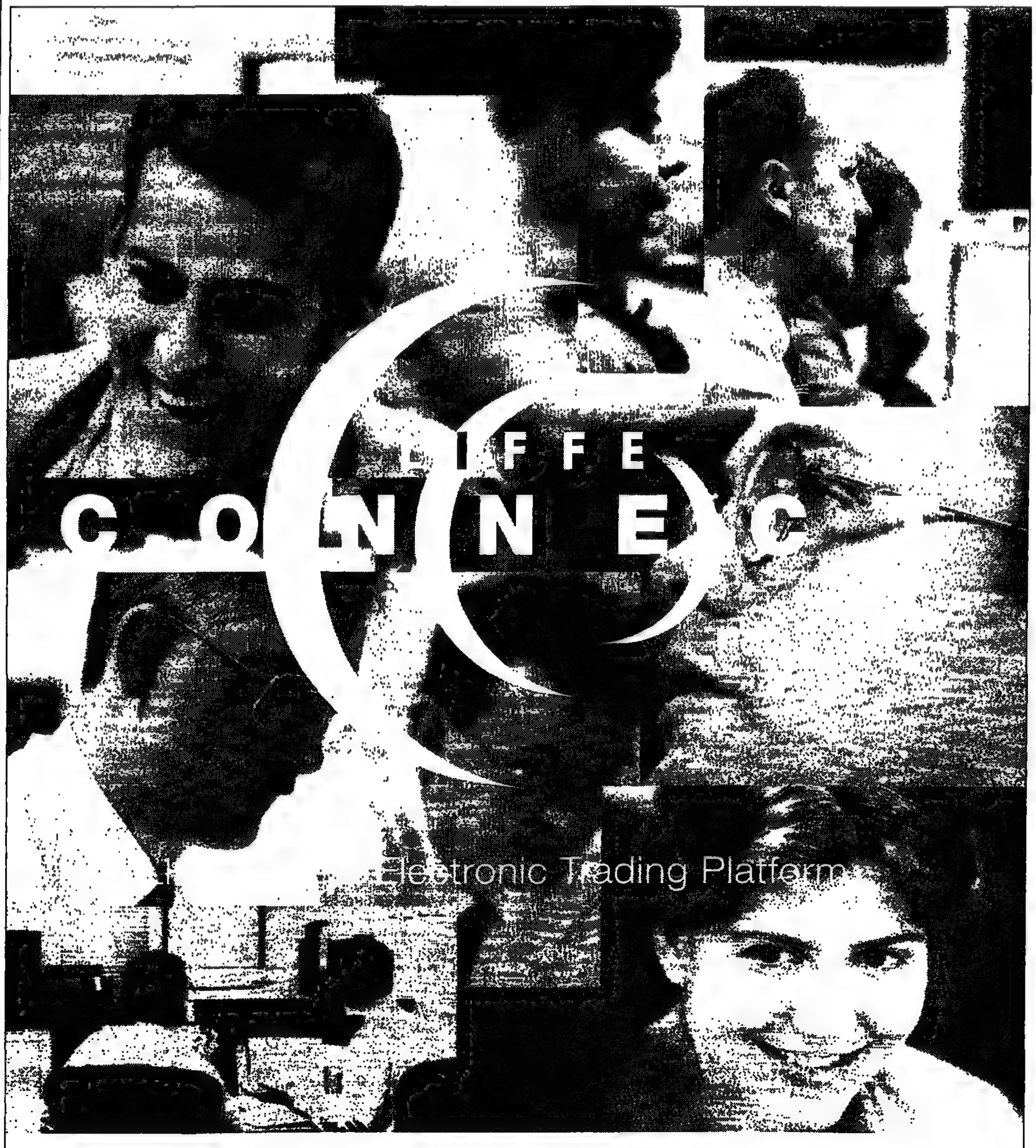
The chairman also said CSM planned to launch a stock option scheme next year for management and senior staff, in keeping with practice at the majority of Dutch listed companies.

Net profit amounted to Fl 245.8m ($127.6m) in the year to September 30, up from Fl 222.3m last time. Operating earnings rose from bakery ingredients, sugar confectionery and the Purac biochemicals unit, while the sugar and food divisions showed a lower out-turn, the latter burdened by an Fl 11m provision for reorganisation.

A string of acquisitions, chiefly of baking ingredients makers in Germany and the US, drove a 17.6 per cent jump in sales to Fl 4.3bn.

Mr Vink hinted that further purchases were in the pipeline. "The American market has a high degree of concentration, and that offers us possibilities for acquisitions," he said.

CSM expects a further rise in net profit in 1998-99, led by growth in its baking ingredients operations and a recovery in its revamped food division.



INTERNATIONAL CAPITAL MARKETS PRIVATISATION ISSUE RAISES DOUBTS OVER INVESTMENT SECTOR

Indian GDRs face uncertain future

By Krisha Guha in Bombay

Is this the beginning of the end for the market in India for global depositary receipts, the largest investment universe of its kind?

Recent developments in the primary and secondary markets have raised doubts over its future. Last week India completed its first privatisation issue this year – *the sale of a Rs2.25bn ($50m)* stake in transport company Container Corporation (Concor), in the domestic market with a single global book.

It was the first time the government had made a privatisation issue in the domestic market and not issued GDRs to global investors, and the sale followed closely a decision by the Securities and Exchange Board of India, the market regulator, to lift all controls on conversion of GDRs into their underlying shares.

This has encouraged investors to convert GDRs from smaller issues into ordinary shares, draining liquidity from the GDR market.

Some investment bankers believe it is only a matter of time before the GDR market disappears, but this verdict could be premature.

Warburg Dillon Reed, *global co-ordinator for the* Concor issue, said it is a working model for future sales. It is a new type of deal for the government, said David Freud, head of WDR's transport team, and the first *time an equity deal has been* sold both to international and domestic investors.

You get the best picture of real demand and therefore the most accurate pricing, said Mr Freud, adding that a single global book is common practice elsewhere. The Indian market is coming into conformity, being accepted fully in the international marketplace.

The market imperfections that fostered the creation of the GDR market have *greatly diminished in recent* years. Global investors are now increasingly willing to participate in domestic issues.

In particular, paper-less trading and settlement has reduced transaction costs, improved speed of settlement and lowered the incidence of fraud.

Infrastructure for transactions and settlement has improved considerably, said Ajay Sondhi, head of WDR in India.

The domestic route has political benefits too. Since domestic investors stood to gain from any upside, the government could afford to approve a price for Concor – Rs250 a share – that was a sharp discount to the existing domestic float.

A number of past GDR issues were delayed after previous governments *refused to endorse market-*driven prices – fearing they would be accused of selling national assets to foreigners at knock-down prices.

For Concor, the government let the market decide *on pricing, said Mr Freud,* and this bodes well for future issues.

However, Container Corporation was not an unqualified success. State-owned financial institutions bought about 60 per cent of the shares on offer. Foreign investors took only 30 per cent and in total there were only 40 investors, domestic and international.

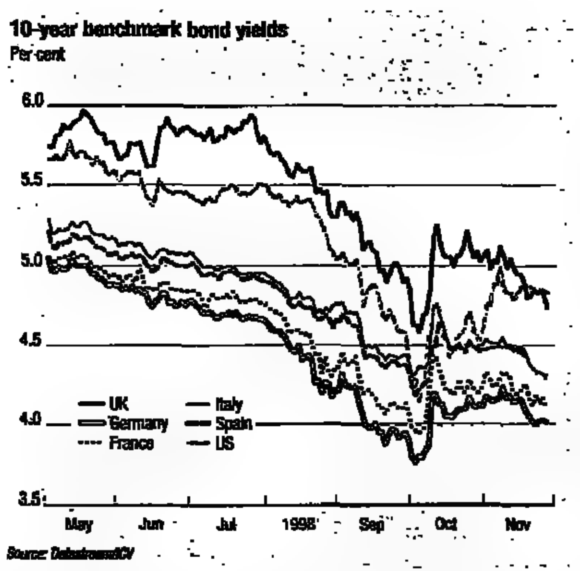
There are several explanations. Domestic institutions are prominent buyers of pri*vatisation stocks the world* over, but in India they are almost all state-owned.

Moreover, while a number of foreign investors were interested in the company, global investor sentiment towards emerging market equities is still cautious.

Even so, rival investment bankers are critical. It is a meaningless transaction, said one. The government's left hand is giving to its right hand.

He said the deal will do little to ensure a healthy secondary market or change the ownership culture – two factors that would also discourage private investment in the company. Pricing is not really market-determined, it is determined by the level of government influence.

Concor may have been the best deal available – there were few takers for the alter*native, an illiquid $50m GDR* – but state-owned financial institutions may not have the resources to underwrite the rest of the government's Rs50bn privatisation programme. Bigger issues will *require wider participation* – and this may not be attainable in the Indian market.



Source: Datastream/ICV

Meanwhile, there is evidence that the GDR pool is shrinking. This is partly driven by arbitrage between domestic and offshore prices.

Some primary market investors, who are sitting on big losses, are said to be giving up on Indian GDRs. However, conversion is principally a function of liquidity – of prime concern today.

There are a lot of stocks that have become very illiquid in the GDR market, said Manesh Gupta, head of *GDRs at Skindia finance*, a local stockbroker. These are being cancelled, converted into shares, and sold into the domestic market.

The handful of big, liquid GDRs, including telecoms companies VSNL and MTNL; financial institutions ICICI and State Bank; and petrochemical giant Reliance Industries, have seen little leakage.

Mr Gupta said there is solid secondary market demand for these stocks, which are better priced than other GDRs and enable investors to circumvent foreign ownership ceilings.

The primary and secondary markets appear to be telling the same story: the days of small illiquid GDRs are over, but there is still a place for big liquid GDRs in *core sectors*.

This suggests the GDR universe will shrink – as small issues move back to the domestic exchange, and small privatisations take place entirely at home. The *bigger*, more liquid issues that are left might be more attractive investments.

Hungary to sell rest of Matav

By Kester Eddy in Budapest

Hungary is to sell its remaining 5.4 per cent stake in Matav, the country's dominant telecommunications company, in the first half of 1999.

Gyula Gansperger, chief executive of the state privatisation agency (APV), said the Matav sale would be followed by offerings of minority stakes in five of Hungary's six regional electricity distribution companies.

The APV owns stakes of less than 10 per cent with a total face value of Ft11.5bn ($52m) in these EDCs, which are majority owned by French and German strategic investors and are not listed.

Matav is 60 per cent owned by MagyarCom, a joint venture between Ameritech, the US telecoms group, and Deutsche Telekom.

An initial public offering of 26.2 per cent of Matav on the New York and Budapest stock exchanges last November raised $1.017bn.

The APV also planned to offer a 28 per cent stake in *K&H Bank, but was waiting* for more favourable stock market prices, Mr Gansperger said.

K&H Bank is Hungary's third-largest commercial bank, in which Irish Life and the Belgium's KBC Bank (formerly Kredietbank) each hold 28 per cent.

Finnair plans review after fall in profits

By Tim Burt in Stockholm

Finnair, the state-controlled Finnish flag carrier, has launched a wide-ranging strategic review following a sharp fall in first-half profits.

The airline, which has been hit by rising costs and intense competition in the Nordic market, said the review could prove decisive for both its short and *long-term future*.

Antti Potila, chief executive, said the carrier had to adapt rapidly to slowing passenger and cargo demand.

"International alliances among airlines are in a state *of flux, our aircraft fleet is* being modernised and pressure to increase profitability is on the rise," he said. "Now is the time to review the company's future operational strategy and to draw *the necessary conclusions.*"

Industry analysts interpreted his remarks as a sign that Finnair could seek a closer relationship with British Airways, its main codeshare partner. The two carri*ers established the partner*ship in part to counter Scandinavian Airlines System, Finnair's main rival and a founder member of the six-airline Star alliance.

British Airways or another *potential trade buyer*, such as Swissair or KLM of the Netherlands, could acquire a *strategic stake* in Finnair if the Finnish government proceeds with plans to reduce its 58 per cent shareholding during the next four years

In the six months to September 30, Finnair saw pretax profits *fall 20 per cent* from FM572.2m to FM455.6m ($87.7m), on turnover up 7.5 per cent to FM4.55bn.

The figures were distorted by FM120m of extraordinary gains last year, but Mr Potila said the underlying performance reflected growth in "sectors with below average unit revenues".

Moreover, the combined effect of growing competition and rising costs for fleet modernisation is expected to hold back the results for the full year.

"Due to fluctuations in demand, performance during the winter traffic season is always significantly below that of the first half," said Mr Potila. In the 12 months to March 31, pre-tax profits reached FM626.7m.

The chief executive, who is retiring at the end of this year, also indicated that the airline's on-going restructuring, known as "Programme 2", had been hampered by traffic growth and increased costs.

The restructuring, which was launched last year, is expected to increase annual profits by FM500m from 2000.

Russia expected to default on Soviet loans

By Clay Harris, Banking Correspondent

Fitch IBCA, the international rating agency, has signalled the probability of an imminent Russian default on restructured Soviet loans (Prins), assigning the securities a long-term rating of CC and short-term rating of C.

The next coupon payment of $724m on Prins falls due on Wednesday. Under the London Club agreements on sovereign debt, half is to be paid in cash and half in interest arrears notes (IANs).

The Russian ministry of finance is now proposing to pay the entire amount in IANs maturing in 2002-05, a move that would constitute an effective default.

Fitch IBCA expects a $216m cash payment on other IANs, also due on Wednesday, to be made in full, although probably not until the end of a 15-working-day grace period. Talks are expected to take on the Prins question at the same time.

The agency said the ratings reflected its view that the Russian government viewed Soviet-era obligations as junior to external debt contracted since 1992.

It also assigned a long-term rating of CCC, a short-term rating of C and a support rating of 2T to Vnesheconombank, which acts as agent for the Russian government in managing the external debt of the former Soviet Union.

Separate talks on restructuring of domestic debt, or GKOs, on which Russia defaulted in August are due to resume in Moscow this week.

Six banks, representing a wider group of 19, hold out little hope of budging the Russians from an offer worth four cents on the dollar.

They will focus on seeking liberalised terms for the use of blocked roubles.

CROSS-BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Viag (Germany)	Alusuisse-Lonza (Switz)	Conglomerate	$10bn	Equals merger
Deutsche Bank (Germany)	Bankers Trust (US)	Banking	$9.7bn	Eyebrow raiser
EdF (France)	London Electricity (UK)	Power	$3.3bn	Unconditional
AEP (US)	CitiPower (Australia)	Power	$1.1bn	Entergy sale
Thyssen (Germany)	Dover Elevators (US)	Lifts	$1.1bn	Non-core disposal
First Pacific (HK)	PLDT (Philippines)	Telecoms	$749m	Strategic stake
Sainsbury (UK)	Star Markets (US)	Retailing	$490m	Fit with Shaw's
Enron (US)	Unit of ICI (UK)	Chemicals	$495m	Teesside transfer
Sorin (Italy)	Unit of Gambro (Sweden)	Medical equpmnt	$267m	Cobe sold
PRI Automation (US)	Promis Systems (Canada)	Computer srvcs	$48m	Paper purchase

POLAND DISPUTE OVER TELEPHONY DEAL

Elektrim defends share stake sale

By Christopher Bobinski in Warsaw

Senior managers at Elektrim, one of Poland's largest listed companies, yesterday sought to fend off charges that it misled investors about its true value, amid a dispute that has raised questions about transparency and corporate governance on Poland's stock exchange.

The dispute erupted on Friday after Elektrim reported that part of its 34.1 per cent stake in Polska Telefonia Cyfrowa (PTC), a successful mobile telephone operator, was set to be sold to Kulczyk Holdings, a co-investor in PTC, at little more than the value of Elektrim's initial investment.

"This incident undermines the credibility of the company and throws a shadow on the Polish equities market," said one investment banker yesterday.

Elektrim's commitment to sell the 6.5 per cent stake in PTC to Kulczyk Holdings dates back to a 1996 agreement that rewards "intellectual services" from Kulczyk Holdings in putting together the PTC consortium.

The consortium includes DeTeMobil of Germany and MediaOne, of the US, both of which own 22.5 per cent stakes in PTC, which is now valued at between $2bn and $3bn. This means the 6.5 per cent stake that Elektrim is obliged to sell to Kulczyk is now worth up to $200m, or about 20 times more than the listed conglomerate will receive for the stake.

"At first, we didn't report the terms of the deal because it was immaterial to the value of our company," Piotr Mroczkowski, Elektrim chief financial officer, said yesterday. "PTC was still being developed and was running at a loss," he explained.

"Later," said Mr Mroczkowski, "when the valuations of PTC by analysts started, we were in talks with Kulczyk and we didn't want to prejudice them."

Elektrim reported the terms of the deal once it became clear that Kulczyk was likely to take up the 6.5 per cent stake within six months.

Trading in Elektrim stock was suspended on Friday after it fell by the maximum permitted 10 per cent.

Marginal first-half rise at SingTel

By Sheila McNulty in Singapore

Singapore Telecom, the city-state's main telecoms provider, reported a 3.4 per cent rise in profits for the six months to September, to S$997.6m (US$605m).

Koh Boon Hwee, chairman, blamed the disappointing results on a slowdown in growth of international telephone traffic and a fall in the take-up rate of both mobile and fixed-line services. He predicted results in the second half would be weaker.

SingTel has tried to spur demand during the Asian economic crisis through a variety of cost-cutting and promotional campaigns.

Mr Koh said such efforts would continue and the company still hoped full-year results would be flat or only slightly negative.

SingTel was helped in the first half by its foreign investments, with income from associates of S$126.7m, compared with a loss of S$48.7m a year earlier.

Belgacom, the Belgian operator, contributed about S$64.9m.

BANKING MEGA-MERGERS HAVE LEFT US INSTITUTION VULNERABLE

Mr Fix-it aims to get Bankers on the mend

By Tracy Corrigan in New York

Frank Newman, once viewed as Bankers Trust's Mr Fix-It, is hoping a new strategy will justify the name – selling.

Three years ago he took the helm at Bankers in the wake of a painful derivatives scandal, after Procter & Gamble and other companies accused Bankers, then at the forefront of the developing derivatives market, of mis-selling products.

Mr Newman's impact was seen as immediate and positive. Despite internal turmoil after the departure of Charles Sanford, his predecessor, and a number of Sanford loyalists, he set a strategy of focusing on finance for growth companies.

Bankers' acquisition in April 1997 of Alex. Brown, a small but prestigious Baltimore-based investment bank with a strong franchise in the profitable US initial public offering market, was seen as a personal coup.

Enthusiasm was less pronounced for his purchase of Wolfensohn, the mergers and acquisitions boutique, which some felt he overpaid for. And though there were reservations about his strategy of focusing on middle-market, growth companies, Banker's stock recovered dramatically, doubling in two years before it peaked this summer.

Mr Newman had faced a similar challenge before. In 1986, he left a senior position

Mr Newman could argue he has salvaged what he could from a tricky situation

at Wells Fargo to join the then troubled Bank of America as finance director. The bank had already lost more than $1bn and was, by his own definition, "in big trouble". He helped turn it around.

The challenge of righting Bankers Trust followed a two-year stint as deputy secretary of the Treasury under Lloyd Bentsen. Until this year, it seemed he had pulled it off again.

But Bankers Trust has been hit hard by recent market turmoil, reporting a third-quarter loss, and Mr Newman's leadership and strategic direction have been questioned amid reports of internal rifts with other senior managers.

According to Fortune magazine, the board "now clearly has its antennae up" following the losses and complaints about Mr Newman's style. More important, the spate of mega-mergers in financial services in the past two years has left Bankers looking vulnerable.

By selling out to Deutsche Bank at this juncture, Mr Newman could argue that he has salvaged what he could from a tricky situation. Shareholders, though, might argue he should have sold earlier, preferably before the recent slump in Bankers share price.

As for Mr Newman, as co-head of investment banking with Josef Ackerman, his job of merging the investment banking businesses of Deutsche and Bankers Trust will be as demanding as any.

Frank Newman: leadership has been questioned

Air France to report this week

By David Owen in Paris

Air France, the French national carrier, releases half-year results on Wednesday amid expectations that the time-table for its partial privatisation is soon to be announced.

Jean-Cyril Spinetta, chairman, recently indicated that the operation would probably come in the first quarter of 1999. He told Paris Match, the French magazine, that four merchant banks – Crédit Agricole-Indosuez and Morgan Stanley for the state, and Lazard and Société Générale for Air France – were working on a valuation.

The government will probably want to avoid a clash with the planned flotation of Aerospatiale, the state-owned aerospace group, however. Sources close to merger negotiations between Aerospatiale and Lagardère's Matra defence interests recently indicated that the sale was likely by the end of March, suggesting the Air France sale could come rather sooner.

Mr Spinetta also suggested Air France's first-half results would be positive, in spite of the impact of a 10-day strike by Air France pilots, called off just hours before the start of the World Cup soccer tournament in June, which has lopped nearly FFr1.5bn ($260m) off profits.

Air France management and its main pilots' union last month reached broad agreement to reduce overheads by allowing the pilots to acquire shares in the airline in return for effective wage cuts. Net attributable profit for the year to March 1998 reached FFr1.87bn.

● *Skis Rossignol*, the French sports equipment group, reported a sharp fall in first-half profits and warned it would make a full-year loss. Net income for the six months to September 30, released late on Friday, fell from FFr50.6m to FFr13.6m. Operating profit was down from FFr118.8m to FFr84.6m. Turnover slipped from FFr1.12bn to FFr987.5m.

The company blamed a fall in consumption in Asia, which had a big impact on sales of its winter sports equipment, without being offset by growth elsewhere.

Winter sport sales of FFr752.2m were down a quarter from a year earlier but snowboard activities rose more than 17 per cent. The company expects golf equipment sales to rise nearly 30 per cent over the full year. It said its Cleveland brand had reinforced its position as market leader in wedges.

COMPANIES & FINANCE

TELECOMMUNICATIONS ANALYSTS SAY SHARES ARE 'RELATIVELY EXPENSIVE' AS COMPETITION PRESSURES LOOM

France completes Telecom sale

By David Owen in Paris

France's Socialist-led government can congratulate itself on another deftly handled share sale after announcing at the weekend that all segments of the FFr60bn ($10.5bn) secondary offering of France Telecom, the partly privatised telecommunications operator, were comfortably oversubscribed.

The state's stake in the company is set to fall to just over 62 per cent as a result of an operation in which nearly 3m individual investors have booked shares.

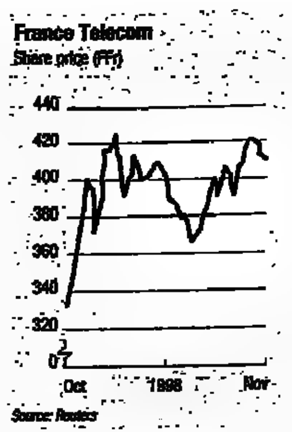
The sale is expected to yield about FFr36bn for the French state and FFr23bn for France Telecom. The company is to spend some FFr8.2bn of this on a 2 per cent stake in Deutsche Telekom, its German counterpart, with the rest earmarked for international development, principally in Europe. Deutsche Telekom is similarly paying the French state FFr8bn for 2 per cent of its French opposite number.

But, if the benefits of the deal promise to be almost instant for the state and the company, those who purchase the shares may need to be more patient. That, at least, is the suspicion of telecoms analysts, most of whom indicated that they saw the current price of FFr410 a share – up from FFr368.50 when the public offering was launched – as relatively expensive.

The final price of the offering to individual investors was set on Saturday at FFr390 a share, with institutions paying FFr400. This compares with just FFr182 paid by the record 3.9m retail investors attracted by the company's initial public offering in October 1997.

Average earnings per share forecasts among analysts contacted were FFr14.40 for 1998 and FFr15.60 for 1999.

"It looks a bit expensive at current levels," said one analyst, who commented anonymously because his company is part of the syndicate working on the deal. "It will be very difficult trying to sell it over FFr380. Most institutional investors are concerned about buying at more than FFr390."



"FFr380-FFr390 would justify an investment," said another analyst, advising against bidding at FFr400 a share. Even an analyst who thought there was "still some value in the shares" commented: "We are not saying they are the most outrageously cheap shares around... There is some upside, but not a huge amount."

Iain Johnston, head of telecoms research at J.P. Morgan in London, said that with cash-flow multiples high and the yield comparatively low, there was "not a lot of value in the shares". He suggested the only reason the shares might go up in the short term was that "the high retail allocation will leave institutions short".

Analysts give the company high marks in a number of important fields, including its international investments, mobile operations and the effectiveness of its response to the onset of full domestic competition.

But they point to other factors that may make life tougher for the group in future. The first of these is the strong likelihood that competitive pressure on the company will increase.

According to Didier Pouillot, a consultant with Idate, a communications research institute in Montpellier, France Telecom should retain about 85 per cent of the FFr170bn French telecoms market in 1998. In the fixed-voice segment, however, the competition has so far probably taken only between 2 and 3 per cent.

Jean-Michel Hubert, the French telecoms watchdog, has already served notice that the former monopoly operator's 1999 catalogue of interconnection charges must give rise to a "significant and real" reduction in tariffs.

Analysts also doubt the company's ability to manage costs as competition heats up. "France Telecom is not a company that is particularly aggressive on costs – certainly not on staff levels," says Mr Johnston.

There are doubts too about Global One, the joint venture with Deutsche Telekom and Sprint of the US.

Said one analyst: "The big issue is how they develop Global One into a profitable and strategically significant company. At the moment, it is not given strategic significance by the market".

EMERGING MARKETS LOAN PROGRAMME HOPED TO HELP RESTORE INVESTOR CONFIDENCE

Pakistan awaits IMF deal approval

By Farhan Bokhari in Karachi

A positive tone is expected in Karachi this week as investors look ahead to the final approval of a long-awaited deal with the IMF, the first sign that the country may stave off a foreign debt default.

However, analysts were quick to dispel hopes of a sharp and continued upturn in a market that is currently more than 40 per cent below its level at the start of the year.

Last week, the market celebrated news that the country had reached an agreement with visiting IMF officials on a new loan programme, which will provide the cornerstone of an international rescue package.

Prime Minister Nawaz Sharif's government is keen to pat itself on the back, claiming that credits of up to $530m from the fund during the present financial year (July–June), should provide the catalyst for a wider package of about $5.5bn.

"The conclusion of the agreement with the IMF should send the right signal and restore confidence," said Ishaq Dar, finance minister.

The deal agreed with IMF officials is tied to another agreement with the World Bank over the deeply contentious issue of the future of Pakistan's private sector power companies.

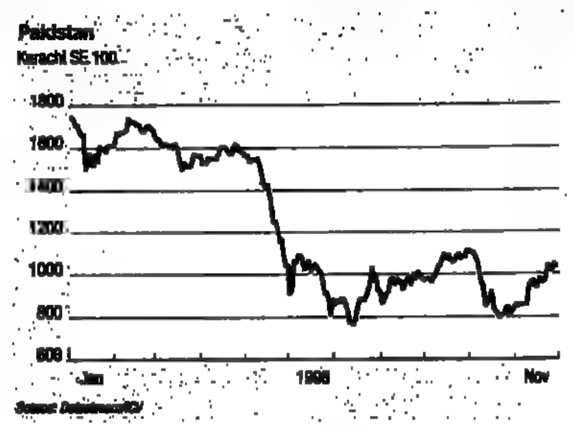
Although specific details have not been revealed, government officials said Pakistan had assured the bank that it would not use investigations into alleged corruption in those companies as a mechanism for forcing them to cut tariffs.

For months, the government's "accountability cell", the main body responsible for investigating corruption, has relentlessly sought details of private power contracts signed under the tenure of Benazir Bhutto, the former prime minister.

The investigations have left market optimism flagging. Many investors have had a special interest in Hub Power Company (HUBCO), the second largest stock listed on the Karachi Stock Exchange.

Last month, the government unilaterally cut the tariff paid to the company and said it was doing so after finding evidence of corruption in the signing of a new power tariff agreement in 1994 that it said had considerably improved the company's returns.

"Investigations into HUBCO have badly knocked already weak sentiment. Now the issue is whether the government is willing to back off and help a recovery in the market," said a foreign banker.



Mr Dar has said he is keen to seek an out of court settlement with the company, but has stopped short of suggesting a new mechanism to resolve the issue.

HUBCO has begun arbitration proceedings in the International Court of Arbitration of the International Chamber of Commerce, but a final settlement has yet to be reached.

Many analysts said the acrimonious exchange over the private power issue had caused long-term harm to Pakistan's investment outlook. That, along with a legacy of a number of previous loan programmes falling apart just months after agreement, gives little reason for optimism over long-term sentiment.

According to Ali Jameel, a director at Karachi's Jehangir Siddiqui brokerage: "The news on the IMF would improve investor confidence, but only slightly. The confidence has been eroded so badly over issues like the power sector, that it may take a long time to be restored."

Pakistan's structural problems are numerous, which causes many analysts to fear another failure in meeting IMF conditions.

"There is still a key anxiety over the IMF programme. Nobody knows if it's a recipe for disaster ahead; another failure: or if this is the beginning of a turnround," said Mudassar Malik, a director at Karachi's BMA capital management brokerage.

Some analysts warned that foreign investors would remain especially apprehensive over Pakistan's retreat this year from its liberal foreign exchange policies.

Hours after the nuclear tests in May, the government froze deposits of about $11bn in onshore foreign currency accounts, anticipating a run on the banks. Depositors were promised withdrawals at the official conversion rate, which is about 20 per cent above the market rate.

Analysts said the policy reversal had only cast uncertainty over future promises, although the government said it remains firmly committed to facilitating foreign and domestic investors.

"The appetite of foreign investors is now much more limited than before, because of the foreign currency issue," said Mr Malik.

Analysts said assurances of new credits from the International Monetary Fund would not necessarily perk up sentiment unless the economy showed signs of a strong recovery.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, November 27, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7860.00	4750.00	2780.36	3961.86
Albania	(Lek)	233.591	141.050	82.5636	114.660
Algeria	(Dinar)	98.8570	59.7095	34.9585	48.5463
Andorra	(French Fr)	9.4857	5.7285	3.3534	4.6577
	(Sp Peseta)	240.712	145.375	85.0957	118.198
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.6039	0.3535	0.4910
Greece	(Drachma)	474.619	286.560	167.733	[illegible]
Greenland	(Danish Krone)	10.7039	6.4639	3.8024	5.2514
Grenada	(E Carib $)	4.4707	2.7000	1.5804	2.1952
Guadeloupe	(French Fr)	9.4857	5.7285	3.3534	4.6577
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	83.0984	50.1500	29.3558	40.7740
Panama	(Balboa)	1.6558	1	0.5854	0.8130
Papua New Guinea	(Kina)	3.5840	2.1645	1.2670	1.7598
Paraguay	(Guarani)	4694.18	2835.00	1659.45	2304.87
Peru	(New Sol)	5.1696	3.1205	1.8266	2.5371
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

صكرا من الاجل

MARKETS WEEK

November 30 - December 6

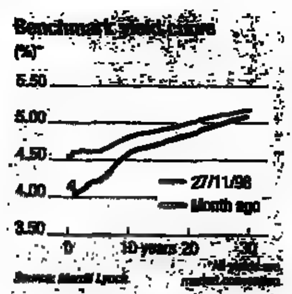
NEW YORK

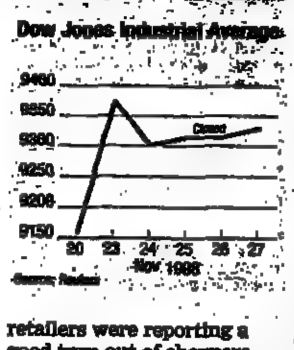
By Richard Tomkins

Hectic merger activity propelled the Dow Jones Industrial Average to a record closing high of 9,374.27 at the beginning of last week, an extraordinary phenomenon given the poor outlook for US corporate earnings. Worries that stock market valuations have become over-stretched appear to have become lost amid the bids-and-deals euphoria. As companies continue to exploit their high stock prices to make acquisitions, it seems likely the trend will continue. This week two big deals are expected to be agreed: Deutsche Bank's takeover of Bankers Trust and Exxon's takeover of Mobil.

Other features of the coming week's trading are likely to include the market's response to Friday's shopping spree in US retail stores. The day after the Thanksgiving holiday is one of the busiest shopping days in the run-up to Christmas, and many retailers were reporting a good turn-out of shoppers.

Important economic data due this week include the National Association of Purchasing Management's manufacturing activity index for November, due out tomorrow, and the November employment report, due on Friday.





LONDON

By Steve Thompson

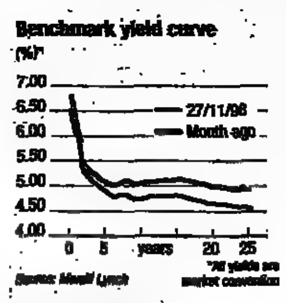
Investors in London's equity market will be hoping for more of the bid action that transformed a stock market looking increasingly as if it had run out of steam for much of last week.

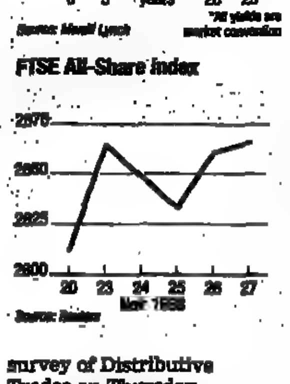
In the event the FTSE 100 index finished well up on the week. This was despite the shock news on Friday of the resignation of Martin Taylor, chief executive of Barclays Bank, and the profits warning that accompanied that news.

The bid news encompassed the international oil sector, with reports of the merger talks between Exxon and Mobil, the discussions between Deutsche Bank and Bankers Trust, and the proposed merger between Siebe and BTR, two UK engineering groups.

Economic news is relatively thin on the ground but will have particular influence on high street retailers, with the *Confederation of British Industry* publishing its survey of Distributive Trades on Thursday.

It is also a pretty busy week for company news with no fewer than six FTSE 200 constituents reporting. They are Imperial Tobacco, Carlton Communications, Bass, GEC, Great Universal Stores and Royal Bank of Scotland.





FRANKFURT

By Tony Barber

Lower US interest rates and a stronger dollar are pushing up German stocks and raising hope that Frankfurt's Dax index will finish the year on a strong note.

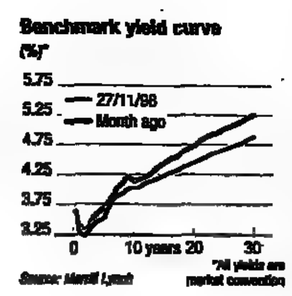
The Dax closed last Friday at 5,159, up 1.8 per cent on the week, but trading volumes are thin as many companies have already closed their books for 1998.

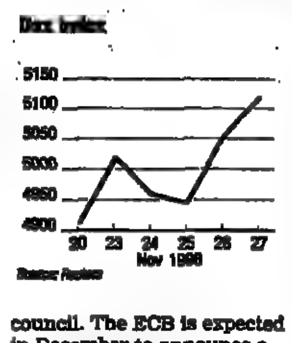
Mergers and takeovers will be on the market's mind this week. Life sciences group Hoechst is expected to confirm its merger with France's Rhône-Poulenc tomorrow, one day after Deutsche Bank announces the terms of its acquisition of Bankers Trust of the US.

Shares in Dresdner Bank, Germany's third biggest bank, soared last Friday amid talk that it was about to emulate Deutsche Bank and announce a takeover of a big foreign financial institution.

Investors will also watch tomorrow's meeting of the European Central Bank council. The ECB is expected in December to announce a euro interest rate of 3.3 per cent for the new year.

However, investment bank Goldman Sachs says Emu central banks could align their emergency lending rates at the lower end of the present range, which stands at 4 per cent.





TOKYO

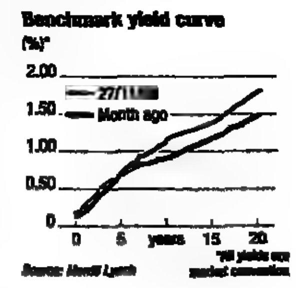
By Alexandra Harney

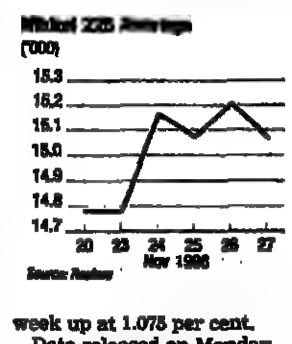
The optimism that drove shares in Tokyo to their highest levels in months last week is not likely to last. Even by the end of the week, the equity market had begun to fall, as companies continued to unwind cross-shareholdings and scepticism about a proposed Y4,000bn income tax cut weighed on the market.

The Nikkei 225 average lost 0.91 per cent, or 138.38 points, to close at 15,069.39 on Friday – nearly 300 points above its close a week before. Analysts expect the index to hover around 15,000 until current inventory reductions spur production and improve profitability prospects for Japan's manufacturers.

The bond market will continue to be haunted by concerns about fiscal policy and the impact on the economy. The yield on the benchmark 203 government bond jumped to 1.05 per cent, its highest since September, last week, and ended the week up at 1.075 per cent.

Data released on Monday are likely to show a 13 per cent decline in new housing starts in October. Figures on real consumption are expected to fall about 2 per cent, and third-quarter GDP growth is expected to be about 2.6 per cent, according to Merrill Lynch estimates.





LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
–	F.P.	5.88	117½	86	[illegible]	117½	+22½	–	–	–	–
§	F.P.	8.10	117	107	Collective Assets Tst	117		–	–	–	28.3
–	F.P.	403.5	305½	289½	First Active	295½	–2	–	–	–	17.8
–	N.P.	–	110¼	[illegible]	[illegible]	110¼	+¼	–	–	–	–
–	F.P.	–	117¼	108¾	Do Uts Cv Ln 2040	117¼	+1	–	–	–	–
–	F.P.	–	18	8	Do Warrants	15	–	–	–	–	–
*	F.P.	122.0	242	200	Garban	241	+7½	[illegible]	2.2	9.0	6.3
–	F.P.	17.7	104	100	INVESCO Recovery	102½	–½	F9.08	–	9.4	–
–	F.P.	13.2	104½	100¾	Do Zero Div Prf	104½		F8.88	–	10.9	–
[illegible]	F.P.	8.65	103	78½	[illegible]	80½		–	–	–	12.8
–	F.P.	37.3	12½	10	[illegible]	11		–	–	–	–
§	F.P.	5.17	5½	4½	†Natural Bldg Mat	5½		–	–	–	–
§	F.P.	2.10	105	105	†Do Cnv Prf	105		–	–	–	–
§	F.P.	13.5	27½	27½	†Offshore Tool & En	27½		–	–	–	–
–	F.P.	7.84	93	90½	Piccadilly Growth	92½		1.6	0.8	2.2	72.5
100	F.P.	–	103	93	REXAM B	94		–	–	–	–
§	F.P.	15.0	100	100	[illegible] AIM VCT	100		–	–	–	–
–	F.P.	–	15½	13½	Thistle Hotels Prf	15		–	–	–	–
–	F.P.	–	16	6	Xenova Warrants	10½		–	–	–	–

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
9	Nil	7/12	¼pm	¼pm	Albemarle Prop Inv	¼pm	
145	Nil	7/12	13½pm	3½pm	Bloomsbury Publ	7½pm	–5

pm premium.

FTSE GOLD MINES INDEX

	Nov 27	% chg since 31/12/97	Mkt Cap $bn	% of Gold Mines	Gross div yld %	Total return	52 week High	52 week Low
Gold Mines Index (28)	1082.22	2.3	38.27	100.00	1.71	1095.12	1381.87	701.58
■ Regional Indices								
Africa (8)	1204.15	9.0	8.84	27.60	3.36	1210.59	1480.04	765.63
Australasia (9)	1232.22	6.6	4.83	12.60	2.47	1237.83	1600.53	816.98
Americas (11)	1021.81	–1.9	20.61	59.43	0.74	1022.66	1317.41	647.60

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STOCK INDICES

	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE 100	5844.20	5827.90	5785.30	5798.30	5848.40	6179.00	4648.70	6179.00	986.90
FTSE 250	4926.00	4840.90	4826.40	4823.90	4801.20	[illegible]	4251.20	[illegible]	1379.40
FTSE 250 ex IT	4944.30	4960.50	4951.30	4928.90	4920.90	6008.00	4295.80	6008.00	1378.30
FTSE 350	2783.60	2768.50	2728.40	2745.20	2783.20	2967.80	2239.50	2968.40	664.50
FTSE SmallCap	2070.89	2067.81	2062.16	2074.68	2080.30	[illegible]	1834.49	[illegible]	1363.79
FTSE SmallCap ex IT	2018.62	2016.25	2012.05	2012.66	2008.15	2554.10	1816.83	2554.10	1363.79
FTSE All-Share	2865.80	2850.80	2832.91	2849.51	2864.80	2965.17	2185.07	2965.17	61.92

	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE Fledgling	1142.62	1141.45	1140.16	1141.65	1138.94	1517.11	1049.17	1517.11	31.14
FTSE Eurotop 100	2741.80	2712.44	2680.38	2670.56	2708.16	3088.91	2049.91	3088.91	2044.47
FTSE Eurotop 300	1180.11	1168.62	1146.87	1149.43	1162.06	1327.68	893.55	1327.68	874.08
FT 30	3567.50	3504.90	3478.10	3485.10	3531.10	[illegible]	2905.00	[illegible]	49.40
FT Govt Securities	[illegible]	113.86	112.59	112.20	112.47	118.45	[illegible]	141.84	49.18
FT Fixed Interest	153.39	152.34	152.06	151.70	152.11	154.90	115.32	154.90	50.53
FTSE Gold Mines	1082.22	[illegible]	[illegible]	1114.11	1121.81	[illegible]	701.58	[illegible]	701.58

COMPANIES DIARY

Consumer trends will be highlighted this week

The services sector is in the spotlight, as retailers and pub groups report figures that may reveal weakening UK consumer confidence.

TODAY

● Allders, the department store group, said in August it was unlikely to meet profit forecasts, so analysts have pencilled in a 12 per cent fall in underlying pre-tax profits, from £21.5m to £19m ($32m).

● A full year contribution from the Rizla acquisition is likely to be a driving factor in Imperial Tobacco's full-year figures. International operations are likely to have advanced, helped by higher volumes in duty-free sales.

There may be more disclosure than previously of its profits from the hand rolling tobacco business. A pre-tax advance from £307m to £318m-£330m is expected.

TUESDAY

● Carlton Communications' figures will probably be overshadowed by any comments the company has on the recent performance of On Digital, the digital broadcasting service that started on November 15.

The launch costs of On Digital will probably have acted as a drag on results, so while operating profits are expected to rise by 1 per cent, the underlying pre-tax figure is expected to be £290m-£305m, compared with £320m last year.

● The recent gloomy statement from Northern Foods has highlighted tough times in the food industry.

Accordingly, when Hazlewood Foods reports interims, any sign of a strong advance would be a surprise. BT Alex Brown expects an underlying advance of 3 per cent to £20.1m.

WEDNESDAY

● Interim figures from regional brewer Greene King are expected by company broker BT Alex Brown to show an underlying advance of 8 per cent to £20.6m.

THURSDAY

● Bass shares have suffered this year because of worries over about the performance of its UK businesses, and have fallen from £11.80 reached in April to just a recent 612p. Merrill Lynch forecasts a pre-tax £637m for the year to September (£714m).

● The scale of corporate restructuring at GEC in the past 12 months has made forecasting the interim results difficult, although the trend has been for operating margins to rise while sales have fallen. Analysts' forecasts range from £430m to £480m (£442m).

● Interim figures from Great Universal Stores are expected to show a decline of some 24 per cent because the first half includes the costs of recent acquisitions, Argos and Metromail, which have profits heavily weighted to the second half. Analysts' forecasts range from £175m-£210m pre-tax (£252m).

● Royal Bank of Scotland's margins in the UK mortgage market should have held up as it scaled back lending. A pre-tax advance from £760m to £860m-£970m is expected.

FRIDAY

● The findings of the strategic review at regional brewer Morland could overshadow finals. An underlying advance of about 12 per cent to £18m is expected.

Lord Wolfson of Sunningdale, chairman of GUS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Merrill Lynch & Co	300	Dec 2008	5.75	99.174R	3.948	+128(Nov03)	Merrill Lynch Intl
BankBoston CLF, 98-1(d)‡	2.179bn	-	-	100.00	-	-	Lehman Brothers
World Bank	1bn	Dec 2001	4.875	98.777R	4.957	+30(5⅝May01)	ABN/CSFB/Nomura
European Investment Bank	750	Jan 2009	5.25(a)	99.047R	5.376	+46(4¾Nov08)	M Stanley/Salomon
Banco ABN Amro Brazil	75	Dec 2009	10.25‡	99.90R	10.31	+564(40c2000)	ABN Amro
Metris Master Tst 98-2(b)‡	500	Nov 2000	(h1)	100.00	-	-	Chase Securities
Metris Master Tst 98-3(b)‡	500	May 2002	(h2)	100.00	-	-	Chase Securities
Republic of Austria	500	Oct 2009	5.25(a)	99.209R	5.34	+47(4¾Nov08)	Deutsche Bank
Nestlé Holdings UK plc	250	Dec 2003	5.00	99.708R	5.088	+40(4¼Nov03)	JP Morgan Securities
Rabobank Nederland	250	Dec 2001	5.00	99.725R	5.101	+43(5⅝May01)	Warburg Dillon Read
Royal Bank of Canada‡	250	Jan 2000	(i)	99.967	-	-	RBC DS Global Markets
B de Galicia y Buenos Aires	100	Dec 2000	10[illegible](a)	100.00R	10.00	+577(W 5yr)	Goldman Sachs Intl
[illegible]	94	Dec 2002	4.00‡	97.00	4.834	-	[illegible] Intl(Europe)
Crédit Local de France	70	Jan 2002	5.25	101.47	-	-	BIL
Dresdner Finance(m)	50	Apr 2003	5.875	101.767	-	-	Dresdner KB
D-MARKS							
[illegible]	270	Dec 2018	1.625	65.10	-	-	Deutsche Bank
SUV Funding Ltd, Jersey(l)	500	Dec 2005	4.50	99.65R	4.580	+83(6¾Oct05)	Lehman Brothers
Countrywide Home Loans	750	Dec 2005	5.25	99.694R	5.314	+140(Oct05)	Deutsche/Lehman Bros
[illegible]‡	200	Dec 2008	(j)	99.722R	-	-	ABN Amro/BayerLB
Rolls Royce plc	500	Dec 2005	4.75	99.436R	4.898	+75(6½Oct05)	Deutsche Bank
STERLING							
BankAmerica Corp	250	Dec 2010	6.125	99.717R	6.159	+125(Oct08)	BA/Royal Bk Scotland
Halifax plc	200	Dec 2003	5.75	99.719R	5.816	+90(6½Dec03)	Morgan Stanley DW
World Bank(q)	100	Jan 2003	6.50	103.483	5.542	-	CSFB
Alliance & Leicester plc‡	100	Dec 2002	(k)	99.848	-	-	Tokyo-Mitsubishi Intl
Inter-American Dev Bank	200	Dec 2009	5.25	100.825	-	-	RBC DS Global Markets
RoadChef Finance, A1(p1)‡	35	Oct 2008	(p1,s)	100.00	-	-	Barclays Capital
RoadChef Finance, A2(p2,s)	133	Oct 2023	7.418	100.00	7.124	+230(8%-15)	Barclays Capital
RoadChef Finance, B(p3,s)	42	Oct 2026	8.615	103.00	7.749	+300(8%-21)	Barclays Capital
Cars No 4, Class A(t)‡	372	Dec 2004	(r1)	100.00	-	-	JP Morgan Securities
European Inv'ment Bank(y)	100	Dec 2028	6.00	113.622	5.109	-	Warburg Dillon Read
FRENCH FRANCS							
Usinor Sacilor(z)§	2.2bn	Jan 2005	3.00(j)	100.00	-	-	Goldman Sachs/SG
YEN							
J-Shop Corp [illegible]‡	40.8bn	Jan 2009	(g1)	100.00	-	-	Goldman Sachs Intl
SWISS FRANCS							
Abbey Natl Trsy Services(b)	150	Aug 2001	2.00	101.30	-	-	CSFB
Compagnie de Saint-Gobain	250	Jan 2004	2.50	100.58	-	-	CSFB
GECC(g)	100	May 2002	2.25	102.10	-	-	Banque Paribas(Suisse)
Province of Buenos Aires(f)	75	Oct 2003	7.75	100.25	-	-	CSFB
PESETAS							
[illegible]	10bn	Dec 2008	(s)	[illegible]	-	-	Caja Madrid
EUROS(e)							
[illegible]	300	Dec 2003	(t)	99.77R	-	-	JP Morgan Securities
CANADIAN DOLLARS							
Province of Alberta	100	Dec 2002	5.00	99.918	5.024	[illegible]	TD Securities
NEW ZEALAND DOLLARS							
National Australia Bank	250	Dec 2000	5.50	100.450	-	-	TD Securities
LUXEMBOURG FRANCS							
Argentia Nederland	3bn	Jan 2004	4.50	100.00	[illegible]	-	BCEE
GREEK DRACHMA							
World Bank	14.5bn	Dec 2003	8.438	100.00	[illegible]	-	Goldman Sachs Intl
European Inv'ment Bank(q)	10bn	Dec 2001	7.50	[illegible]	-	-	HSBC CIB Global Markets

Final terms, non-callable unless stated. [illegible]

Focus turns to euro

By Alan Beattie

Attention will turn towards the prospects for the future strength of the euro this week as European central bankers meet to discuss the final run-in to the launch of the new currency.

The European Central Bank (ECB) council meets on Tuesday and is expected to finalise plans for the remaining interest rate convergence among EMU participants.

Italy, Spain, Portugal and Ireland all have downward adjustments of up to 50 basis points to make to their key intervention rates to converge on the core European level of 3.3 per cent. And these changes are likely to come close together, probably soon after Tuesday's meeting.

The ECB council is also likely to discuss the starting interest rate for the euro, to be implemented in the first round of money market operations on January 5.

Signs of weak domestic growth and low inflation among euro participants could lead to a lower starting interest rate for the euro zone, perhaps around 3 per cent.

The yen could suffer from the parlous state of the Japanese economy, which should be further revealed on Friday when data on third quarter gross domestic product are released.

All elements of private domestic demand are expected to fall, with only a rise in public investment taking up any slack. But spending on public works announced in the fiscal stimulus package earlier in the year only began to take effect in September, the last month of the quarter, so its positive influence is likely to be muted.

However, the yen has managed to hold up recently despite the continuing stream of bad news, benefiting from a series of technical factors which have come to the fore in thin end-of-year markets.

POUND SPOT FORWARD AGAINST THE POUND

Nov 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
[illegible]													
Singapore	(S$)	2.7321	-0.0104	299 - 342	2.7485	2.6901	2.7203	5.2	2.7021	[illegible]	2.6553	2.8	-
South Africa	(R)	9.4423	-0.0177	364 - 481	9.5201	9.4342	9.5287	-11.0	9.6867	-10.6	10.4521	-10.7	-
South Korea	(Won)	2057.33	-4.93	448 - 019	2069.81	2053.32	-	-	-	-	-	-	-
Taiwan	(T$)	53.6810	-0.2785	663 - 957	53.8688	53.6536	53.7375	-1.3	53.7228	-0.3	53.8997	-0.4	-
Thailand	(Bt)	59.8241	-0.0086	304 - 177	59.9510	59.2180	59.8212	[illegible]	59.9746	-1.0	[illegible]	-2.4	-

† Rates for Nov 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
[illegible]													
Singapore	(S$)	1.6500	-0.001	490 - 510	1.6585	1.6237	1.6453	3.4	[illegible]	[illegible]	6.375	-11.6	-
South Africa	(R)	5.7025	+0.0075	000 - 050	5.7350	5.6870	5.7715	-14.5	5.8785	-12.4	-	-	-
South Korea	(Won)	1242.50	+1	100 - 400	1246.50	1240.50	-	-	-	-	-	-	-
Taiwan	(T$)	32.4200	-0.063	170 - 230	32.4450	32.3800	32.49	-2.6	32.545	-1.5	32.87	-1.4	-
Thailand	(Bt)	36.1300	+0.11	800 - 800	36.2100	35.0500	36.155	-0.8	36.23	-1.1	37.38	-3.5	-

† SDR rate per $ for Nov 25. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 5.43 MYR/USD, a discount of 30% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 25. Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Nov 27	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	4	[illegible]	[illegible]	[illegible]	[illegible]	-	-	3.69
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	3.69
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	4.00	4.08
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.50	5.00	5.12
Netherlands	[illegible]	[illegible]	4	4	4	-	2.75	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	4.50	-
week ago	[illegible]	5	[illegible]	5	[illegible]	-	4.50	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
$ LIBOR BBA London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	4.74	4.80	4.79	4.78	-	-	-
week ago	-	4.74	4.80	4.79	4.78	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	4	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	5 - 4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3 - [illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.78	94.77	-0.01	94.79	94.76	33,425	435,810
Mar	95.10	95.11	+0.02	95.12	95.10	36,867	501,138
Jun	95.09	95.11	+0.03	95.11	95.08	37,227	401,593

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.55	95.60	+0.03	95.60	95.52	130	1,809
Mar	95.81	95.82	+0.02	95.82	95.81	79	420
Jun	-	95.93	+0.01	95.93	-	4	[illegible]

All Open Interest figs. are for previous day

POUND IN NEW YORK

Nov 27	— Close —	— Prev. close —
£ spot	1.6545	1.6510
1 mth	1.6520	1.6565
3 mth	1.6481	1.6577
1 yr	1.6370	1.6426

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies and Finance page in today's edition.

OTHER CURRENCIES

Nov 27	£	$
Czech Rp	50.7725 - 50.8100	30.6550 - 30.6810
Hungary	355.902 - 356.290	221.010 - 221.179
Iran	4955.30 - 4968.00	3000.00 - 3000.00
Kuwait	0.5019 - 0.5025	0.3032 - 0.3034
Peru	5.1535 - 5.1700	3.1190 - 3.1220
Poland	5.7428 - 5.7516	3.4690 - 3.4730
Russia	29.9918 - 30.0502	18.0500 - 18.1500
U.A.E.	6.0803 - 6.0830	3.6728 - 3.6731

BANK RETURN

The Bank Return table can be found on page 31 in today's edition.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.43	16.25	4.847	1.950	4797	5.464	21.40	497.0	412.4	23.15	3.997	1.713	4.365	2.837	348.9	2.464
Denmark	(DKr)	54.27	10	8.819	2.630	1.058	2603	2.965	11.62	269.7	223.8	12.56	2.169	0.930	2.369	1.539	189.3	1.337
France	(FFr)	61.53	11.34	10	2.982	1.200	2952	3.362	13.17	305.8	253.8	14.24	2.459	1.054	2.686	1.746	214.7	1.516
Germany	(DM)	20.63	3.802	3.353	1	0.402	989.7	1.127	4.416	102.5	85.09	4.776	0.825	0.354	0.901	0.585	71.99	0.508
Ireland	(I£)	51.28	9.449	8.334	2.485	1	2460	2.802	10.98	254.8	211.5	11.87	2.049	0.879	2.238	1.455	178.9	1.264
Italy	(L)	2.085	0.384	0.339	0.101	0.041	100	0.114	0.446	10.36	8.598	0.483	0.083	0.036	0.091	0.059	7.274	0.051
Netherlands	(Fl)	18.30	3.372	2.974	0.887	0.357	877.8	1	3.917	90.94	75.47	4.236	0.731	0.314	0.799	0.519	63.85	0.451
Norway	(NKr)	46.72	8.609	7.593	2.264	0.911	2241	2.553	10	232.2	192.7	10.81	1.867	0.800	2.039	1.325	163.0	1.151
Portugal	(Es)	20.12	3.708	3.270	0.975	0.392	965.2	1.100	4.307	100	82.99	4.658	0.804	0.345	0.878	0.571	70.21	0.496
Spain	(Pta)	24.25	4.468	3.941	1.175	0.473	1163	1.325	5.190	120.5	100	5.613	0.969	0.415	1.058	0.688	84.61	0.598
Sweden	(SKr)	43.20	7.961	7.021	2.094	0.842	2072	2.361	9.247	214.7	178.2	10	1.727	0.740	1.886	1.226	150.7	1.065
Switzerland	(SFr)	25.02	4.611	4.066	1.213	0.488	1200	1.367	5.356	124.3	103.2	5.792	1	0.429	1.092	0.710	87.30	0.617
UK	(£)	58.37	10.76	9.488	2.829	1.138	2800	3.189	12.49	290.1	240.7	13.51	2.333	1	2.548	1.656	203.7	1.438
Canada	(C$)	22.91	4.222	3.723	1.110	0.447	1099	1.252	4.904	113.8	94.48	5.303	0.916	0.393	1	0.650	79.93	0.565
USA	($)	35.25	6.496	5.729	1.708	0.687	1691	1.926	7.545	175.2	145.4	8.160	1.409	0.604	1.539	1	123.0	0.869
Japan	(Y)	28.66	5.281	4.658	1.389	0.559	1375	1.566	6.134	142.4	118.2	6.634	1.145	0.491	1.251	0.813	100	0.706
Ecu	-	40.58	7.478	6.595	1.967	0.791	1947	2.217	8.686	201.7	167.4	9.394	1.622	0.696	1.771	1.151	141.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.5871	0.5840	-0.0037	0.5885	0.5836	10,287	90,080
Mar	0.5909	0.5864	-0.0036	0.5909	0.5880	443	2,222
Jun	-	0.5867	-0.0035	-	-	4	1,173

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7108	0.7086	-0.0034	0.7139	0.7077	7,983	46,597
Mar	0.7194	0.7147	-0.0034	0.7189	0.7140	2,769	[illegible]
Jun	-	0.7204	-0.0034	-	0.7206	6	19

JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.8227	0.8141	-0.0091	0.8258	0.8120	11,063	75,875
Mar	0.8345	0.8246	-0.0091	0.8345	0.8232	818	5,806
Jun	-	0.8346	-0.0091	-	0.8350	22	3,344

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.6590	1.6524	-0.0068	1.6604	1.6498	4,333	51,222
Mar	1.6570	1.6488	-0.0056	1.6570	1.6430	148	2,141
Jun	-	1.6420	-0.0062	-	1.6410	36	1,220

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
1.650	1.08	1.85	2.41	0.71	1.84	2.51
1.660	0.66	1.43	2.00	1.24	2.34	2.97
1.670	0.38	1.15	1.61	1.93	2.81	-

Previous day's vol., Calls - Puts 60 . Prev. day's open int., Calls 865 Puts 4,597

PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
[illegible]	0.51	1.02	1.37	0.18	0.47	0.68
0.585	0.24	0.73	0.99	0.39	0.66	0.88
0.590	0.18	0.50	0.76	0.60	0.96	1.15

Previous day's vol., Calls 133 Puts 858 . Prev. day's open int., Calls 3,333 Puts 10,397

BENCHMARK GOVERNMENT BONDS

Nov 27	Red Date	Coupon	Bid Price	Bid Yield	Day chg yld	Wk chg yld	Month chg yld	Year chg yld
Australia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London closing. * New York closing. Yields: Local market standard. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents. Source: Interactive Data/FT Information

UK INTEREST RATES

LONDON MONEY RATES

Nov 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from Nov 6, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.
Ave. tender rate of discount on Nov 27, 6.2371pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 30, 1998. Agreed rate for period Dec 26, 1998 to Jan 25, 1999, Scheme III 6.26pc. Reference rate for period Oct 31, 1998 to Nov 30, 1998, Schemes IV & V 6.666pc. Finance House Base Rate 7½pc for Nov 1998.

BANK OF ENGLAND TREASURY BILL TENDER

	Nov 27	Nov 20		Nov 27	Nov 20
Bills on offer	£100m	£100m	Top accepted rate	6.2371%	6.3173%
Total of applications	£734m	£754m	Ave. rate of discount	6.2371%	6.3173%
Total allocated	£100m	£100m	Average yield	6.3358%	6.4184%
Min. accepted bid	£98.446	£98.425	Offer at next tender	£100m	£100m
Allotment at min. level	100%	100%	Min. accept. bid 28 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Exeter Trust Limited	7.75	●Singer & Friedlander	6.75
Allied Irish Bank (GB)	6.75	Financial & Gen Bank	8.00	Smith & Williamson	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	Sun Bank	6.75
Banco Bilbao Vizcaya	6.75	Habib Bank AG Zurich	6.75	TSB	6.75
Bank of Cyprus	6.75	Heritable & Gen Inv Bk	6.75	United Bank of Kuwait	6.75
Bank of Ireland	6.75	C. Hoare & Co	6.75	Unity Trust Bank Plc	6.75
Bank of India	6.75	●SBS Hambros Bank & Trust	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	Hongkong & Shanghai	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	Investec Bank (UK) Ltd	6.75		
Brit Bk of Mid East	6.75	Julian Hodge Bank	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	●Leopold Joseph & Sons	6.75		
Citibank NA	6.75	Lloyds Bank	6.75		
Clydesdale Bank	6.75	Midland Bank	6.75		
The Co-operative Bank	6.75	NatWestminster	6.75		
Coutts & Co	6.75	●Rea Brothers	6.75		
Cyprus Popular Bank	7.25	Royal Bk of Scotland	6.75		
Duncan Lawrie	6.75	Scottish Widows Bank	6.75		

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts* (Lives up to Five Years)						
Treas 8½pc 1999	100.3512	—	1,900	Jy15 Ja15	8.7	1347
Treas Flg Rate 1999	100.0472	—	5,700	[illegible]	7.9	4845
Exch 12¼pc 1999	101.8382	-.1	3,050	Se26 Mr26	17.9	1284
Treas 10½pc 1999	102.0038	—	1,252	Nv19 My19	10.11	1288
[illegible]	[illegible]	0.1	6,950	Fe10 Au10	3.8	3635
Conv 10¼pc 1999	104.1203	—	1,798	My22 Nv22	12.11	1242
Conv 9½pc 2005	124.8909	0.4	4,842	[illegible]	[illegible]	[illegible]
Exch 10½pc 2005	131.9129	0.4	23	[illegible]	[illegible]	[illegible]
Treas 12½pc 2003-5	133.2485	0.3	2,280	[illegible]	[illegible]	[illegible]
Treas 8½pc 2005	121.9387	0.5	10,373	[illegible]	[illegible]	[illegible]
Conv 9¾pc 2006	132.2955	0.5	[illegible]	[illegible]	[illegible]	[illegible]
Treas 7½pc 2006	117.5983	0.5	11,700	[illegible]	[illegible]	[illegible]
Treas 7¾pc 2006	118.5328	0.6	4,080	[illegible]	[illegible]	[illegible]
Treas 8pc 2002-6	110.0147	0.2	2,050	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for March 1998: 160.8 and for October 1998: 164.5.

Other Fixed Interest

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO PRICES

EQUITIES

Focus moves back to rate cuts

EUROPEAN OVERVIEW

By Arkady Ostrovsky

The markets are likely to focus this week on the possibility of interest rate cuts in Europe, on US economic data and on corporate consolidation in the wake of last week's wave of mergers.

The Bundesbank will hold its regular council meeting this week, but economists believe the European Central Bank could also provide hints of future interest rate policy at its council meeting on Tuesday.

Last week the German bund was propped up by the expectation of an early interest rate cut and economists said the weakening economic conditions across Europe justified talk of a rate cut.

The German economic data to be released this week is expected to show falling export demand in the third quarter, but growth on the domestic front. Third-quarter gross domestic product is expected to rise by 0.5-0.75 per cent from the second quarter and 2.4-2.6 year on year, economists said.

US data on payrolls and a report from purchasing managers will indicate whether the latest equity rally in Wall Street has been fuelled by corporate consolidation or by real growth in the US economy. If it is the latter, analysts say, the bond markets will suffer.

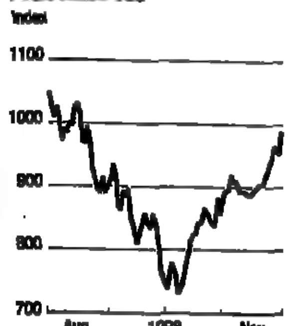
On the corporate side, investors will be looking out for more mergers and acquisitions after the merger between Siebe and BTR in the UK and talks between Exxon and Mobil in the US.

Last week ended with the FTSE Eurotop 300 transnational index moving up 11.49 to close at 1180.11. The FTSE Eurotop 100 index gained 29.46 on Friday. Among the risers were household goods and textiles, which gained 2.68 per cent, and automobiles, up 2.23 per cent. Falling sectors included building materials and investment companies, which fell 1.51 per cent and 1.45 per cent respectively.

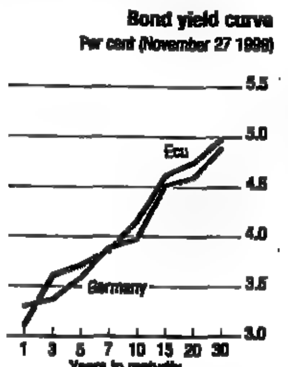
Research by the pan-European strategy team at BT Alex Brown said European markets were unlikely to re-enter a sustained bull phase until the ECB cut rates.

It said recent economic data painted a mixed picture for continental Europe. GDP growth expectations have been cut in recent months, with the consensus looking for around 2.2 per cent growth next year.

FTSE Ebloc 100
Index



Bond yield curve
Per cent (November 27 1998)



Source: FTSE International, Interactive Data/FT Information

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.400	96.400	+0.015	96.430	96.390	100	9740
Mar	96.755	96.755	+0.020	96.765	96.755	47	5978
Jun	-	96.810	+0.015	96.830	96.800	1	2282
Sep	-	96.810	+0.010	-	-	0	1186

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
96500	0.015	0.270	0.280	0.300	0.115	0.015	0.025	0.045
96625	0				0.225			

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	2734.0	2748.0	+20.0	2748.0	2734.0	122	6720
Mar	-	2764.0	+20.0	-	-	0	1080

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2500 C	2500 P	2625 C	2625 P	2650 C	2650 P	2600 C	2600 P	2650 C	2650 P	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P
Dec	242	18	220	21	180	26	157	33	120	46	87	64	60	88	40	118
Jan	281	51	241	62	204	74	170	90	138	108	110	131	380	81	283	94

Est vol total 0 Prev day's open interest total 8,818 Premiums shown are based on settlement prices.

OTHER INDICES

	Nov 27	Nov 26	Oct 25	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3294.36	3257.81	3201.30	3670.82	2433.07	3670.82	2433.07
DJ Euro Stx. 50	3261.19	3230.34	3167.24	3658.48	2419.23	3658.48	2419.23
MSCI Europe	1173.47*	1166.37	1146.67	1316.55	905.59	1316.55	510.78

Source: Extel/part of FT Information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European Series

Produced in conjunction with the Faculty and Institute of Actuaries

November 27

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total rtn (Ecu)
FTSE Eurotop 300	1180.11	+0.98	+11.49	2.34	30.52	1220.98
FTSE Eurotop 100	2741.90	+1.09	+29.46	2.36	36.65	982.30
FTSE Ebloc 100	989.55	+1.09	+10.62	2.14	14.85	1004.24
FTSE EuroMid	1134.80	+0.36	+4.04	2.81	0.31	1173.92
FTSE EuroMid Ebloc	1195.17	+0.39	+4.60	2.42	0.02	1219.92
FTSE EuroMid Ex UK	1183.13	+0.71	+6.04	2.34	0.02	1204.63
FTSE Eurotop 300 Regions						
Eurobloc	1236.11	+1.12	+13.69	2.04	21.46	1262.23
UK	1098.51	+0.52	+5.65	2.83	49.71	1170.36
Europe Ex-Eurobloc	1134.87	+0.84	+9.42	2.67	38.48	1187.27
Europe Ex-UK	1227.36	+1.22	+14.74	2.10	19.83	1260.14
FTSE Eurotop Industry Sectors						
RESOURCES	905.60	+0.89	+7.95	3.17	29.22	947.00
Extractive Industries	783.58	-1.21	-9.61	4.48	14.54	800.10
Oil, Integrated	876.47	+0.98	+8.49	3.11	21.73	897.69
GENERAL INDUSTRIES	1077.55	+1.26	+13.43	2.59	21.29	1100.32
Construction	886.50	+0.66	+5.85	3.13	11.06	896.81
Building Matls & Merchs	901.63	-1.51	-13.85	2.49	8.99	909.42
Chemicals	864.29	-0.08	-0.72	2.81	17.45	879.55
Diversified Industrials	955.33	+1.40	+13.18	2.49	22.61	977.18
Electronic & Elect Equip	862.74	+2.05	+19.36	1.73	6.41	867.99
Engineering	873.94	+0.67	+5.78	3.83	12.32	885.25
Paper, Pckg & Printing	840.08	+1.42	+11.74	2.78	1.21	841.13
CONSUMER GOODS	1261.24	+1.25	+15.18	1.57	50.08	1270.40
Automobiles	935.42	+2.23	+20.37	2.44	10.35	944.10
Alcoholic Beverages	956.43	+0.50	+4.77	2.81	296.79	1424.81
Food Producers	982.51	+1.43	+13.82	1.88	11.84	994.08
Household Goods & Texts	1050.44	+2.68	+27.46	1.81	7.05	1059.32
Healthcare	910.59	-0.83	-7.65	1.30	13.51	924.22
Pharmaceuticals	1064.61	+1.18	+12.42	1.22	5.27	1070.39
Tobacco	1328.22	+1.24	+16.26	3.84	18.89	1346.47
SERVICES	1183.27	+0.72	+8.41	2.02	22.03	1216.20
Distribution	773.16	+0.80	+6.17	2.81	11.37	781.05
Leisure & Hotels	770.11	+0.98	+7.48	3.38	12.27	780.20
Media	991.81	-0.47	-4.70	2.26	10.68	1002.20
Retailers, Food	1047.98	+0.90	+9.39	1.97	14.17	1063.14
Retailers, General	960.07	+0.45	+4.34	3.28	20.46	979.87
Telecommunications	1129.83	+0.88	+9.82	1.74	13.82	1144.09
Breweries, Pubs & Rests	814.42	+1.97	+15.75	3.32	18.00	828.83
Support Services	984.30	+1.29	+12.50	1.50	9.87	994.73
Transport	989.72	+0.74	+7.15	2.57	18.24	987.80
Information Technology	922.72	+0.72	+6.62	0.40	2.29	924.91
UTILITIES	1484.09	+0.90	+13.26	3.00	87.04	1589.28
Electricity	1108.88	+0.07	+8.82	3.19	27.84	1140.14
Gas Distribution	1240.72	+1.41	+17.23	1.51	93.37	1388.10
Water	1080.57	+0.05	+0.56	4.84	38.72	1101.08
FINANCIALS	1278.04	+0.85	+10.77	2.67	27.52	1310.36
Banks,Retail	883.80	+0.49	+4.32	3.32	13.20	895.02
Insurance	994.55	+1.72	+16.79	1.40	11.79	1006.58
Life Insurance	1149.16	+0.07	+7.89	1.71	12.98	1164.08
Other Financial	889.99	+0.37	+3.28	2.16	15.95	904.85
Investment Companies	958.62	-1.45	-14.15	1.42	20.86	976.54
Property	708.27	-0.20	-1.39	3.55	18.01	719.24

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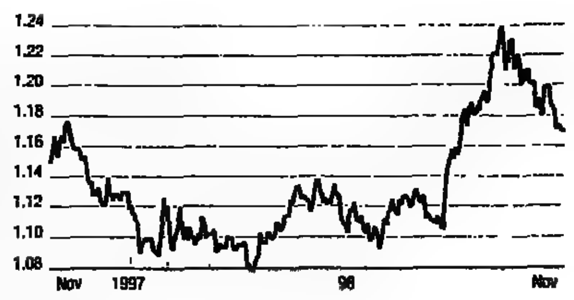
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Nov 27	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.050564	+0.0004	+0.00	-0.0008	-0.01
Belgium	BEF	41.203828	+0.0008	+0.00	+0.0081	+0.02
Czech Republic	CZK	35.856097	+0.0874	+0.24	+0.1925	+0.54
Denmark	DKK	7.592860	-0.0000	+0.00	+0.0007	+0.01
Finland	FIM	6.072451	+0.0010	+0.02	+0.0001	+0.00
France	FRF	6.696411	+0.0008	+0.01	-0.0000	+0.00
Germany	DEM	1.996954	-0.0000	+0.00	-0.0001	+0.00
Greece	GRD	334.984196	-0.8050	-0.24	+0.2502	+0.07
Hungary	HUF	258.432744	-0.7362	-0.28	-0.5973	-0.23
Ireland	IEP	0.803504	+0.0004	+0.05	+0.0000	+0.01
Italy	ITL	1976.468706	-0.5741	-0.03	-0.5668	-0.03
Luxembourg	LUF	41.203828	+0.0008	+0.00	+0.0081	+0.02
Netherlands	NLG	2.251541	-0.0003	-0.01	-0.0002	-0.01
Norway	NOK	8.819489	+0.0128	+0.15	-0.2053	-0.06
Poland	PLN	4.057262	-0.0068	-0.17	-0.0331	-0.81
Portugal	PTE	204.762567	-0.1977	-0.10	-0.0277	-0.01
Romania	ROL	11805.810276	+1.8038	+0.02	+33.1887	+0.28
Russia	RUB	21.157143	-0.0012	-0.01	+0.4026	+1.94
Slovakia	SKK	42.836785	+0.0067	+0.02	-0.5308	-1.22
Spain	ESP	169.929260	+0.0825	+0.05	+0.1439	+0.08
Sweden	SEK	9.538131	-0.0089	-0.09	-0.0216	-0.23
Switzerland	CHF	1.646750	-0.0042	-0.25	+0.0022	+0.14
United Kingdom	GBP	0.705900	+0.0002	+0.03	-0.0079	-1.11
ECU	XEU	1.015436	+0.0005	+0.05	-0.0003	-0.03
Americas						
Brazil	BRL	1.402800	-0.0033	-0.23	-0.0102	-0.72
Canada	CAD	1.798591	+0.0102	+0.57	-0.0303	-1.66
Mexico	MXN	11.655131	+0.0210	+0.18	-0.0526	-0.45
United States	USD	1.168903	-0.0033	-0.28	-0.0137	-1.16
Pacific/Middle East/Africa						
Australia	AUD	1.841256	+0.0025	+0.14	+0.0042	+0.23
Hong Kong	HKD	9.050815	-0.0262	-0.29	-0.1050	-1.15
Japan	JPY	143.769213	+0.1974	+0.14	+1.5620	+1.10
Singapore	SGD	1.926590	-0.0066	-0.34	+0.0034	+0.18
South Africa	ZAR	6.685689	-0.0100	-0.15	+0.0106	+0.16

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be seen as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1825, NLG 0.0577, BEF 0.0385, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar
$ per Euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

Nov 27	Fixed rate	Market rate	Diff bid v mkt %	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.036	+0.01	+0.01	7.0353	3.62	-0.11
Belgium	20.6255	20.6333	+0.04	+0.01	20.6309	3.6	-0.13
France	3.35386	3.3533	-0.02	-0.02	3.3532	3.7	-0.03
Finland	3.04001	3.0409	+0.03	+0.02	3.0416	3.09	-0.25
Ireland	0.402676	0.4024	-0.07	-0.08	0.4025	4	+0.27
Italy	990.002	989.7419	-0.03	+0.00	989.8971	3.9	+0.17
Luxembourg	20.6255	20.6333	+0.04	+0.01	20.6309	3.6	-0.13
Netherlands	1.12674	1.1275	+0.07	+0.07	1.1271	3.34	-0.39
Portugal	102.505	102.5375	+0.03	+0.04	102.5485	3.85	+0.12
Spain	85.0722	85.0942	+0.03	-0.06	85.1116	3.95	+0.22
Germany	1		+0.00	+0.00		3.73	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3. Forward rates are exchange rates to 31/12/98 extrapolated from market quotes, forward interest rates are those implied by these forward exchange rates. Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98. DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

INTEREST RATE SWAPS

Nov 27	D-Mark Bid	D-Mark Ask	Ecu Bid	Ecu Ask	£ Stlg Bid	£ Stlg Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.40	3.43	3.45	3.49	0.00	0.00	5.08	5.11	0.39	0.42
2 year	3.43	3.48	3.44	3.48	5.98	6.02	5.14	5.17	0.47	0.50
3 year	3.53	3.58	3.54	3.58	5.90	5.94	5.21	5.24	0.59	0.62
4 year	3.67	3.70	3.68	3.72	5.84	5.88	5.26	5.29	0.72	0.75
5 year	3.83	3.86	3.83	3.87	5.75	5.79	5.31	5.34	0.86	0.89
6 year	3.98	4.01	3.98	4.02	5.66	5.70	5.36	5.39	1.00	1.03
7 year	4.12	4.15	4.12	4.16	5.61	5.65	5.41	5.44	1.13	1.16
8 year	4.25	4.28	4.25	4.29	5.57	5.61	5.45	5.48	1.26	1.29
9 year	4.36	4.39	4.36	4.40	5.56	5.60	5.51	5.54	1.39	1.42
10 year	4.44	4.47	4.44	4.48	5.55	5.59	5.56	5.59	1.51	1.56
12 year	4.58	4.61	4.58	4.62	5.52	5.57	5.66	5.69	1.75	1.79
15 year	4.76	4.79	4.76	4.80	5.49	5.55	5.75	5.78	2.00	2.04
20 year	4.95	4.98	4.95	4.99	5.46	5.53	5.82	5.85	2.21	2.26
25 year	5.07	5.10	5.07	5.11	5.43	5.50	5.81	5.84	2.23	2.28
30 year	5.13	5.16	5.13	5.17	5.42	5.50	5.79	5.82	2.34	2.39

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months LIBOR, £ and Yen quoted on a semi-annual actual/365 basis against 6 months LIBOR, D-mark and Ecu quoted on annual bond 30/360 basis against 6 month LIBOR with the exception of the 1 year rate which is quoted against 3 months LIBOR. Source: Intercapital Brokers Ltd.

EUROZONE CORPORATE BONDS

Nov 27	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible issues								
Belgium (Kingdom of)	03/08	5.750	N/A	111.520	4.23	-0.02	-0.09	+0.07
France (Rep of)	04/08	5.250	AAA	109.090	4.06	-0.03	-0.16	-0.10
Italy (Rep of)	05/08	5.000	AA	105.930	4.23	-0.04	-0.22	+0.07
Portugal (Rep of)	06/08	5.375	AA-	107.870	4.35	-0.03	-0.18	+0.19
Euro issues								
Abbey Natl Treas Srv	02/03	4.875	AA	104.100	3.80	-0.04	-0.18	+0.06
Gen Electric Cap Crp	10/04	5.500	AAA	108.440	3.86	-0.06	-0.13	+0.00
Oest Kontrollbank	04/08	5.250	AAA	107.040	4.32	-0.01	-0.19	+0.16
Cred Local de France	04/08	5.250	AA+	105.420	4.53	-0.02	-0.17	+0.37
Ecu issues								
Bayer Hypo & Wech Bk	07/01	5.000	AA-	103.546	3.54	-0.03	-0.26	-0.06
Cred Foncier France	03/04	8.375	A	118.788	4.32	-0.02	-0.14	+0.55
Euro Inv Bank	04/04	5.250	AAA	107.480	3.69	-0.01	-0.24	-0.09
ABN Amro Hldg. NV	04/07	6.375	AA-	111.384	4.70	-0.03	-0.17	+0.86

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Emu "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

GOVERNMENT BOND SPREADS vs ECU

Nov 27	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	-0.10	+0.03	+0.20	+0.04	-0.29	+0.15
Belgium	-0.09	+0.00	+0.08	+0.10	+0.03	+0.13
Finland	-0.15	+0.06	+0.17	+0.12	-0.47	-0.70
France	-0.19	-0.12	-0.09	-0.08	-0.19	-0.09
Germany	-0.22	-0.12	+0.03	-0.18	-0.15	-0.09
Ireland	-0.04	-0.05	+0.04	+0.10	+0.10	+0.47
Italy	+0.03	+0.03	+0.11	+0.13	+0.17	+0.19
Luxembourg	-0.09	+0.00	+0.09	+0.10	+0.03	+0.13
Netherlands	-0.11	-0.02	+0.08	-0.07	+0.09	-0.08
Portugal	-0.04	+0.16	+0.21	+0.14	+0.35	+0.22
Spain	-0.21	-0.04	+0.20	+0.24	+0.03	+0.16
"Outs"						
Denmark	+0.42	+0.41	+0.38	+0.23	-0.06	+0.83
Greece	+6.41	+5.00	+4.02	+3.30	+2.63	+2.30
Sweden	+0.24	+0.29	+0.38	+0.26	+0.22	-0.01
UK	+1.79	+1.03	+0.97	+0.80	-0.08	-0.49

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Nov 27	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.14	+0.15	+0.18
France Telecom	AA+	11/08	5.250	FRF	+0.21	+0.25	+0.26
Halifax	AA	07/07	5.625	DEM	+0.43	+0.45	+0.38
Ing Bank NV	AA-	01/08	5.500	NLG	+0.34	+0.33	+0.30
Bayr Hypo W BA	AA-	02/02	6.750	ITL	+0.26	+0.27	+0.28
Cred Foncier	A	02/03	7.250	DEM	+0.47	+0.40	+0.44
Thomson-Brandt Int	A-	03/04	5.375	FRF	+0.49	+0.51	+0.46
Generale des Eaux	N/A	03/04	6.250	FRF	+0.39	+0.41	+0.36
Bank of China	BBB	07/09	7.125	DEM	+1.73	+1.62	+2.41
Natl Bk of Hungary	BBB-	06/01	9.000	ATS	+0.96	+0.71	+1.39
Kiwan Dev Bank	BB+	11/02	5.625	FRF	+5.65	+5.66	+6.88
Argentina	BB	04/08	8.125	XEU	+5.34	+5.24	+5.84

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

FTSE EUROTOP 300

Name	Price (Ecu)	Chge + or -	Mkt cap Ecu(bn)	Vol (m)	Yld
[illegible]					

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
Allied Domecq	♣N	523xd	1.6	Q25.33	1.5	[illegible]	2.11	2323
Bulmer (HP)		[illegible]	—	15.0	1.5	[illegible]	10.8	[illegible]
Burn Stewart		[illegible]	-8.3	—	—	[illegible]	10/97	[illegible]
Diageo	♣N	[illegible]	1.3	[illegible]	1.5	[illegible]	5.10	[illegible]
Glenmorangie A	†	[illegible]	—	14.45	2.5	[illegible]	13.7	[illegible]
B	†	[illegible]	—	7.22	2.5	[illegible]	13.7	[illegible]
Highland		[illegible]	2.8	9.35	2.3	342.7	5.5	[illegible]
5¾pc Cv Sb Bd		[illegible]	[illegible]	[illegible]	—	48.4	5.1	[illegible]
Kirin Y		[illegible]	[illegible]	[illegible]	1.7	[illegible]	25.12	1119
Matthew Clark	♣	[illegible]	0.4	13.8	2.3	213.3	[illegible]	[illegible]
Merrydown		[illegible]	-10.6	—	—	[illegible]	7/97	[illegible]
Seagram C$		221¼	3.7	[illegible]	—	[illegible]	[illegible]	—

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Continued

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices

	Notes	Price	Wk % ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Approved by the Inland Revenue								
Aberdeen Emg Asia	♣	22½	18.4	–	–	9.22	–	1441
Warrants		3	–	–	–	0.60	–	1442
Atlantis Japan Gwth Fd		225	3.5	–	–	45.0	–	2362
Warrants		8	11.2	–	–	0.24	–	2365
Baring Emrg Euro	♣	79½	3.2	–	–	98.5	10.94	3860
Warrants		44	2.9	–	–	10.8	–	3861
Brazilian IT	♣H	40¼	5.6	Q1.1	Jul Dec	25.1	1.6	2590
Warrants		8¾	-8.4	–	–	1.09	–	2088
Central Euro Gwth	♣	38½	-3.8	–	–	81.7	3.98	4181
Warrants		1	33.3	–	–	0.40	–	4187
East German		11	---	–	–	8.18	3.93	2486
Egypt Trust $	7	695½	-.2	Q14c	Feb	69.5	25.1	–
F&C Latin American $	♣	88¾	3.5	–	–	72.6	–	3455
Warrants		35½	3.6	–	–	5.34	–	3475
Las Russian Frontiers $	♣	230	16.0	–	–	20.6	–	4788
Warrants		65	23.8	–	–	0.78	–	4789
Warrants B		52½	40.0	–	–	0.35	–	1180
Warrants		1	---	–	–	0.02	–	4635
Govett Asian Smllr	♣	70½	2.9	0.54	May	20.4	6.4	3428
Warrants		0¼	—	–	–	0.02	–	2107
Hambros Sml Asian Cos	♣	32¼xd	6.6	0.3c	Apr	10.1	8.11	4682
Warrants		4¼	---	–	–	0.42	–	4685
Indonesia Fund		128¾	...	–	–	12.8	–	2828
Warrants		7¼	...	–	–	0.16	–	2834
Israel Fund $		48¾	4.7	–	–	88.6	3.95	4187
Korea-Europe $	♣	169	3.2	62c	Oct	75.0	9.97	5040
Korea Liberal $		93½	---	–	–	11.4	7.92	–
Warrants		15	—	–	–	0.18	–	–
Lazard Birla India	♣	28½	1.1	–	–	14.4	–	4867
Warrants		4	10.2	–	–	0.41	–	4868
Schroder Korea Fd $	♣	241½	---	–	–	16.9	–	2247
Warrants $		3¼	---	–	–	0.84	–	2251
Scottish Asian Fig	♣	116½xd	1.7	1.05	Apr	32.4	5.10	2348

Net asset values supplied by BT Alex Brown International as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

AIM - Continued

	Notes	Price	Wk % ch'nge	Div net	Div cvr	Mkt capEm	Last xd	City line
UA Group		172½	-6.8	4.02	–	8.04	5.5	5328
VDC	♣	132½	-7.0	0.8	2.1	14.4	1.9	1688
VFG	♣	42½	—	1.9	3.7	11.1	1.9	1682
VI		175	---	–	–	3.80	–	1718
Victory Corpn	♣	11½	---	–	–	38.3	–	1485
VIMI	♣	38	-8.4	–	–	10.0	9.97	4487
Weather Action		69½	-4.7	–	–	4.05	–	2244
Weeks Group	♣	27½	...	0.11	3.4	3.62	8.7	1288
West 175 Ents	♣	68	----	–	–	3.30	–	1676
West Bromwich Albion		6115	---	–	–	8.30	–	1891
Western Select	47	8¼	-10.8	0.25	1.3	3.50	8.11	4491
Westmont Energy	♣	29	-11.1	–	–	2.24	–	5412
Winchester		70½	-2.1	–	–	9.80	–	5193
World Telecom	♣	65	-3.7	–	–	16.3	–	1212
Xpeller Computer		13¼	31.0	–	–	13.8	–	1884
Yeoman		89½	—	–	–	4.22	–	2981

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♣ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- * Price at time of suspension
- . Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. ! Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1998-99. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1999. K Dividend based on prospectus or other official estimates for 1998. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: ₓ ex dividend; ₓ ex scrip issue; ₓ ex rights; ₓ ex all; ₓ ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Guinness Flight Geared Inc & Gwth, Do Income, Do Zero Div Prf (ITSC), Honeycombe Leisure, Old Mook Co (AIM). Deletions: Inspec (Chem), DPF (Eng), St Davids Inv, Do Zero Div Prf (InTr), Tring Intl (L&H), London & Manchester (Life Ass), Radius, Robert Walters (Spt Sv), British Bloodstock, TDS Circuits (AIM).

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OFFSHORE AND OVERSEAS

BERMUDA
(FSA RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

Orion Fund Limited

BERMUDA
(REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

Gartmore Investment Management (Bermuda) Ltd

CAYMAN ISLANDS
(REGULATED)(**)

Marshall Wace Asset Management Limited

Masters International Advisors

Montgomery Emerging Markets Fund Ltd

Morgan Stanley Offs Advisory Mortgage Fd Inc

National Investment Trust Company Ltd

North Atlantic Management Co Ltd

Olympus Capital Management Ltd

Omega Overseas Partners Ltd

Opportunity Fund (z)

GUERNSEY
(FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY
(REGULATED)(**)

IRELAND
(FSA RECOGNISED)

AIB Fund Management Ltd

ABN AMRO Global Liquidity Funds Plc (z)

Aberdeen Prolific International Fund Plc

Global Asset Management - Contd.

The Halal Mutual Investment Company Plc

BAS-EX Management SA

BT&T Asset Management (Ireland) Ltd

BZW Sacrand Equity Fund II Plc

Bank of Ireland Unit Managers Ltd

Kim Europe Worldwide Fund

Kims Far East Fund Plc

Korea Active

Korea Bond Fund Plc

Korea Capital Growth Fund

Korea Optel Fund

Korea Special Opportunities Fund Plc

Korean Power Fund

Korean Preferred Share Fund

Lazard Investment Funds Ltd

Skandia Select Fund Plc

State Street Global Advisors Limited

Super Phoenix Fund

Super Phoenix Fund II

The Tokai Umbrella Fund

US Value Investment Company Plc

Ulster Bank Investment Services

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Bank of Cyprus Group

Baring Intl Fd Mngrs (Ireland) Ltd

Lazard Investment Funds Ltd - Contd.

Lehman Brothers/GLS Partners Asset Mngmt

Morgan Grenfell Investment Funds Ltd (z)

IRELAND
(REGULATED)(**)

ISLE OF MAN
(FSA RECOGNISED)

ISLE OF MAN
(REGULATED)(**)

JERSEY
(FSA RECOGNISED)

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Offshore Funds and Insurances

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Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Royal Bank of Scotland International Ltd

JERSEY (REGULATED)(**)

ABSA Offshore Fund Managers (Jersey) Ltd

AIB Govett Management (Jersey) Limited

Aberdeen Fund Mngrs (Luxembourg) Ltd (u)

American Phoenix Investment Portfolios (u)

Bank Von Ernst & Cie AG

Foreign & Colonial Portfolios Fd Sicav(u)

Framlington International Portfolios

Frontrunner I (u)

Mercury Asset Management - Contd.

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

UBS AG - Contd.

OFFSHORE INSURANCES

LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (u)

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Selling Price | Buying Price | Yield Gross | City-Line

Finance International Ltd

Royal & Sun Alliance Intl Financial Srvs

Atlantic Fund Management (Guernsey) Ltd

Aurum Funds

BBM Bank

Dresdner Bank Investment Group - Contd.

EBS Overseas Fund Ltd

East Europe Development Fund Ltd

Edelweiss Portfolio Ltd

Global Asset Management - Contd.

Jardine Fleming Unit Trusts Ltd

National Mutual Funds Management

Nautilus Global Limited

New Asia Asset Management Ltd

Nichols-Applegate Capital Mgmt

Scudder, Stevens & Clark Inc

SEASAM Return Fund Ltd

Secura Growth Fund Ltd (Bermuda)

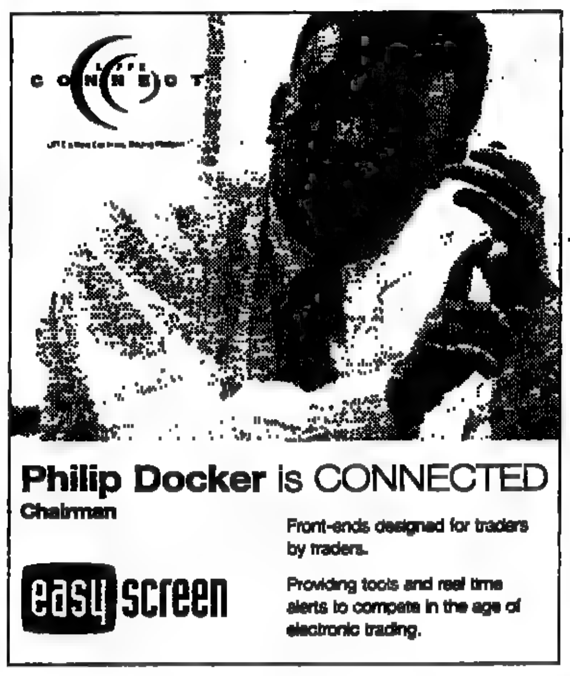
Europe 1992

Eurovest Ltd

Everest Capital Limited

OTHER OFFSHORE FUNDS

AXA Asset Management



F.I. Founders Asset Management Ltd (IoM)

The FMG Fund Managers Ltd (Bermuda)

Fairfield Greenwich Group

Global Asset Management - Contd.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 27 / Sch)

BELGIUM/LUXEMBOURG (Nov 27 / Frs.)

CZECH REP (Nov 27 / Koruna)

DENMARK (Nov 27 / Kr)

FINLAND (Nov 27 / Mkk)

FRANCE (Nov 27 / Frs.)

GERMANY (Nov 27 / Dm.)

GREECE (Nov 27 / Drachma)

IRELAND (Nov 27 / Punt)

ITALY (Nov 27 / Lira)

NETHERLANDS (Nov 27 / Fls.)

NORWAY (Nov 27 / Kroner)

POLAND (Nov 27 / Zloty)

PORTUGAL (Nov 27 / Escudo)

SPAIN (Nov 27 / Pts.)

SWITZERLAND (Nov 27 / Frs.)

TURKEY (Nov 27 / Tk Lira)

PACIFIC

JAPAN (Nov 27 / Yen)

AUSTRALIA (Nov 27 / Aust$)

HONG KONG (Nov 27 / H.K.$)

INDONESIA (Nov 27 / Rupiah)

MALAYSIA (Nov 27 / MYR)

NEW ZEALAND (Nov 27 / NZ $)

SINGAPORE (Nov 27 / S$)

SOUTH KOREA (Nov 27 / Won)

TAIWAN (Nov 27 / TW $)

THAILAND (Nov 27 / Baht)

AMERICAS

CANADA

TORONTO (Nov 27 / Can $) 4 pm close

MONTREAL (Nov 27 / Can $) 4 pm close

MEXICO (Nov 27 / Peso) 12.30 pm

AFRICA

SOUTH AFRICA (Nov 27 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY NOVEMBER 27 1998 US Dollar Index	%chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg since 31/12/97	Gross Div. Yield	THURSDAY NOVEMBER 26 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	203.23	1.8	181.96	158.01	180.51	212.93	4.2	3.42	204.28	182.33	158.16	[illegible]	213.13	219.85	163.86	194.86
Austria (22)	183.05	–3.2	163.89	142.31	162.58	182.47	–4.0	2.15	183.29	163.58	141.91	162.34	182.23	253.73	166.45	184.88
Belgium (22)	381.68	50.8	341.74	296.75	339.07	331.80	42.7	2.03	378.16	338.41	293.55	335.61	328.87	398.52	249.08	249.43
Brazil (32)	175.79	–28.3	157.39	136.67	156.13	308.32	–20.7	2.28	173.45	154.88	134.28	153.62	302.96	288.34	102.68	225.84
Canada (119)	197.92	–6.8	177.30	153.87	175.78	220.52	0.2	1.77	202.44	180.88	156.73	179.38	223.65	248.76	158.84	204.85
Denmark (34)	462.51	3.4	414.10	359.58	410.79	408.62	–1.9	1.71	460.88	411.18	356.66	408.01	405.85	537.33	415.82	410.27
Finland (28)	497.32	78.6	445.27	386.65	441.71	542.21	70.3	1.68	492.85	439.88	381.57	436.51	535.73	506.48	267.59	298.03
France (79)	322.32	34.7	288.59	250.60	286.28	289.85	28.3	2.16	318.95	285.58	247.71	283.37	286.87	345.18	225.24	228.26
Germany (55)	279.08	21.6	249.88	216.98	247.88	247.88	19.6	1.31	276.67	246.93	214.20	245.04	245.84	325.61	218.58	218.40
Greece (35)	305.04	0.0	273.11	237.16	270.90	626.88	0.8	1.30	301.87	269.42	233.71	267.36	619.88	333.28	211.47	–
Hong Kong, China (67)	329.90	–7.6	296.37	256.49	293.00	327.95	–7.7	3.89	331.00	295.42	256.26	293.16	329.08	380.07	186.64	356.29
Indonesia (26)	50.27	–23.9	45.01	39.09	44.65	226.69	1.8	1.40	48.88	43.64	37.85	43.30	224.65	97.28	19.84	97.08
Ireland (16)	501.64	24.9	449.14	390.01	445.54	485.88	22.4	[illegible]	500.92	447.08	387.82	443.66	483.56	590.44	378.80	378.60
Italy (53)	168.76	43.5	151.10	131.21	149.89	213.11	37.2	1.31	167.03	149.08	129.91	148.73	211.53	184.49	108.82	108.82
Japan (446)	98.66	3.5	88.34	76.71	87.63	76.71	–2.0	0.98	99.79	89.06	77.25	88.38	77.25	109.73	76.83	101.93
Mexico (29)	1146.87	–30.4	1026.82	891.65	1018.62	12502.87	–21.3	2.04	1160.60	1035.85	898.55	1027.91	12594.78	1883.07	787.15	1850.70
Netherlands (27)	498.02	21.5	445.89	387.19	442.33	437.83	15.4	2.13	499.15	445.49	386.44	442.06	437.84	582.38	381.83	403.77
New Zealand (18)	57.41	–24.9	51.40	44.64	50.99	57.81	–17.6	5.07	56.63	50.55	43.85	50.16	56.65	83.84	45.68	88.21
Norway (36)	228.68	–28.4	204.74	177.79	203.10	234.18	–28.7	2.56	228.58	204.02	176.98	202.46	233.18	357.71	181.86	321.70
Philippines (22)	88.93	12.2	78.68	69.19	79.04	174.74	10.0	0.88	86.29	77.02	66.87	76.43	169.16	106.88	42.46	83.84
Portugal (18)	252.08	0.0	225.68	195.97	223.87	382.22	0.0	1.11	253.48	226.24	196.25	224.50	383.36	289.39	194.13	–
Singapore (41)	211.93	–5.9	189.75	164.77	188.23	161.34	–7.8	1.98	211.55	188.81	163.78	187.36	160.95	284.82	102.45	248.27
South Africa (39)	206.03	–22.4	184.47	160.18	182.99	258.80	–8.0	3.71	208.51	186.10	161.43	184.67	259.55	346.20	151.55	274.58
Spain (30)	388.89	40.1	348.18	302.35	345.40	428.29	35.5	1.85	385.47	344.03	298.43	341.40	423.12	417.73	284.18	264.18
Sweden (46)	516.35	18.0	462.30	401.44	458.61	623.74	13.1	1.87	507.38	452.85	392.82	449.38	611.75	626.18	379.18	478.74
Switzerland (30)	408.16	19.8	365.44	317.33	362.52	358.49	15.7	1.20	405.10	361.61	313.68	358.84	353.78	438.48	307.73	323.44
Thailand (35)	23.93	24.0	21.42	18.60	21.25	[illegible]	–7.0	2.82	24.81	22.14	19.21	21.97	34.68	33.84	8.15	25.93
United Kingdom (209)	374.66	12.9	335.44	291.29	332.76	335.44	12.2	2.90	375.15	334.83	290.45	332.27	334.83	401.84	307.36	322.24
USA (620)	488.63	23.3	437.49	379.90	433.90	486.63	23.3	1.38	486.48	434.19	376.64	430.87	486.48	488.63	378.74	387.53
Americas (800)	435.03	20.8	389.49	338.22	386.38	358.96	21.4	1.35	433.53	386.93	335.65	383.97	357.38	437.03	343.40	351.55
Europe (737)	352.28	21.9	315.39	273.87	312.86	323.79	18.2	2.08	350.86	313.14	271.64	310.74	321.66	386.24	278.28	279.57
Eurobloc (346)	102.14	0.0	91.45	79.41	90.72	98.19	0.0	1.75	101.56	90.65	78.63	89.95	97.77	113.28	81.53	–
Nordic (146)	472.83	14.7	423.34	367.61	419.96	482.85	14.6	1.85	467.10	416.89	361.63	413.70	475.92	555.97	380.04	417.06
Pacific Basin (731)	107.37	1.3	96.06	83.43	95.31	85.35	–3.1	1.53	108.33	96.69	83.87	95.95	85.85	119.48	82.88	111.94
Euro-Pacific (1468)	209.11	14.7	187.23	162.58	185.73	174.78	10.6	1.92	209.11	186.63	161.90	185.20	174.27	228.19	168.08	181.87
North America (739)	468.99	21.9	419.91	364.83	416.55	478.18	20.3	1.54	467.38	417.14	361.85	413.95	469.42	469.20	367.38	375.84
Europe Ex. UK (529)	329.12	25.7	294.67	255.86	292.31	308.16	21.6	1.87	326.97	291.83	253.15	289.59	305.42	356.32	250.03	250.46
Europe Ex. Eurobloc (391)	95.94	0.0	85.89	74.59	85.21	95.58	0.0	2.44	95.72	85.43	74.11	84.78	95.14	103.83	77.40	–
Europe Ex. UK Ex. Eurobloc (183)	98.56	0.0	86.61	75.36	86.12	94.63	0.0	[illegible]	95.95	85.73	74.36	85.07	93.85	109.21	75.18	–
Pacific Ex. Japan (285)	188.44	[illegible]	168.71	146.50	167.37	191.27	–5.4	3.53	188.54	168.63	146.28	167.34	191.48	217.77	128.28	202.40
World Ex. Eurobloc (1967)	102.19	0.0	91.50	79.45	90.77	101.49	0.0	1.59	102.08	91.11	79.03	90.41	101.25	103.16	83.09	–
World Ex. US (1687)	208.88	12.1	187.02	162.40	185.52	179.78	9.1	1.93	209.08	186.61	161.87	185.18	179.38	221.91	165.95	185.37
World Ex. UK (2099)	291.84	18.3	261.30	226.90	259.21	292.49	16.7	[illegible]	291.20	259.96	225.45	257.91	291.57	296.82	234.65	243.84
World Ex. Japan (1861)	398.66	18.7	356.94	309.95	354.08	389.09	18.8	1.68	397.32	354.62	307.61	351.90	387.23	411.23	318.78	324.88
The World Index (2307)	298.96	17.8	267.87	232.43	265.53	288.34	16.2	1.61	298.41	266.33	231.03	264.29	288.35	308.56	242.08	250.32

Emerging markets: IFC investable indices

Dollar terms

Nov 26 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	627.83	+0.3	–18.8
Brazil	351.32	+0.9	–27.2
Chile	502.78	+1.1	–21.8
Colombia[1]	433.29	–3.2	–47.5
Mexico	402.27	+0.4	–37.5
Peru[2]	153.93	–0.1	–30.5
Venezuela[3]	369.39	+5.8	–58.6
East Asia			
China[4]	29.87	–2.2	–46.0
India[5]	50.72	–2.0	–28.4
Indonesia[6]	25.33	+2.4	–24.7
Korea[7]	38.13	–2.5	+58.7
Malaysia	78.82	–0.5	–12.3
Pakistan[8]	164.25	+2.7	–58.0
Philippines	120.49	–1.7	+6.9
Sri Lanka[9]	77.08	–2.1	–33.7
Taiwan, China[10]	130.94	+2.2	–7.2
Thailand	69.76	–2.8	+40.2
Europe			
Czech Rep	48.17	+0.7	–12.8
Greece	543.60	–1.2	+67.8
Hungary[11]	283.53	–0.6	–16.3
Poland[12]	522.13	–0.3	–12.5
Portugal	287.86	+2.8	+35.4
Russia	29.21	+4.5	–80.4
Slovakia	39.89	+1.7	–48.0
Turkey[13]	159.78	+3.5	–51.7
Mideast/Africa			
Egypt	60.96	–0.2	–31.4
Israel	103.92	+2.2	–14.5
Jordan	210.55		+0.1
Morocco	160.06		+29.8
S Africa[14]	138.39	–0.4	–25.1
Zimbabwe[15]	95.86	–1.2	–61.5
Regions			
Composite	193.66	+0.4	–21.2
Latin America	475.48	+0.7	–29.8
Asia	102.23	–0.4	–5.1
EMEA	115.85	+0.5	–21.5
Europe	144.10	+1.1	–23.8
Eastn Europe	56.82	+0.8	–58.1
ME & Africa	57.86		–19.4
Comp + Malay	194.96	+0.3	–20.7
Asia + Malay	102.07	–0.4	–5.3

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1993; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; [illegible] (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)July 2 1993
Latest indices were unavailable for this edition.

Prices supplied by Telekurs, part of FT Information

FT Free Annual Reports Club

4 pm close Nov 27

NEW YORK STOCK EXCHANGE PRICES

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Nov 27	Nov 26	Nov 25	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9333.08	(c)	9314.28	9374.27 (23/11)	7539.07 (31/8)	9374.27 (23/11/98)	41.22 (8/7/32)
Home Bonds	106.76	(c)	[illegible]	107.02 (5/10)	[illegible] (11/5)	107.02 (5/10/98)	54.99 (1/10/81)
Transport	3077.81	(c)	[illegible]	3686.02 (16/4)	2345.00 (8/10)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	309.93	(c)	310.50	320.51 (8/10)	262.66 (9/1)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 9403.62 (9387.66) Low 9263.82 (9199.29) (Theoretical) Day's high 9346.21 (9318.75) Low 9304.50 (9252.49) (Actual)

Standard and Poors	Nov 27	Nov 26	Nov 25	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1192.29	(c)	1186.87	1192.29 (27/11)	927.69 (9/1)	1192.29 (27/11/98)	4.40 (1/6/32)
Industrials	1421.30	(c)	1412.42	1421.33 (27/11)	1077.40 (9/1)	1421.33 (27/11/98)	3.52 (30/6/32)
Financial	131.64	(c)	[illegible]	147.69 (14/7)	95.80 (8/10)	147.69 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	593.00	(c)	[illegible]	608.75 (17/7)	477.20 (8/10)	608.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	673.92	(c)	[illegible]	753.67 (22/4)	563.75 (8/10)	753.67 (22/4/98)	524.20 (18/7/98)
NASDAQ Cmp	2016.44	(c)	1995.21	2016.44 (27/11)	1419.12 (8/10)	2016.44 (27/11/98)	54.87 (3/10/74)
Russell 2000	[illegible]	(c)	[illegible]	491.41 (21/4)	310.28 [illegible]	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Nov 20	Nov 13	Nov 6	Year ago
Dow Jones Ind. Div. Yield	1.66	1.69	[illegible]	1.73
	Nov 18	Nov 11	Nov 4	Year ago
S & P Ind. Div. yield	1.25	1.29	[illegible]	1.50
S & P Ind. P/E ratio	33.53	32.98	32.70	25.38

US DATA

MARKET ACTIVITY

Volume (million)	Nov 27	Nov 25	Nov 24
NYSE	259.240	593.580	788.280
Amex	13.252	18.938	27.428
NASDAQ	516.142	821.653	1,002.9

NYSE	Nov 27	Nov 25	Nov 24
Issues Traded	3,262	3,506	3,574
Rises	1,474	1,563	1,430
Falls	1,193	1,415	1,645
Unchanged	595	530	499
New Highs	93	766	166
New Lows	14	25	33

NYSE TRADING ACTIVITY

Volume : [illegible]

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Cendnt	5,526,000	17¾	+1⅛
Mobil	5,341,700	85½	+7⅛
Exxon	4,445,000	74¾	+1¾
AmOnLne	4,425,800	94⅞	+2⅛
Citgrp	4,178,900	52⅞	+⅜
Compaq	2,930,900	34⅜	−⅛
Disney	2,777,500	31⅞	+1⅛
Amoco	2,608,100	60⅞	+1⅞
Texaco	2,537,700	60⅞	+3⅛
Schimb	2,517,900	49	−1⅛

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Sothebys	28½	+3⅜	+13.2
SciAtl	18⅞	+1⅞	+11.6
Mobil	85½	+7⅛	+9.1
Best Buy	57⅞	+4¾	+9.0
Downs			
NobleDrll	12⅜	[illegible]	[illegible]
Smithln	27	−1⅛	[illegible]
Covance	24⅜	−1⅛	−5.6
EngyVntrs	19⅝	−1⅛	[illegible]

NASDAQ TRADING ACTIVITY

Volume :516,142,000

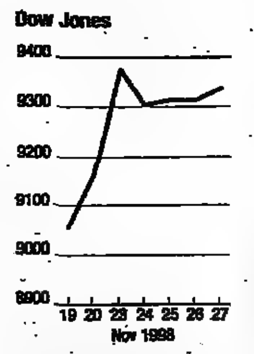
ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Egghead	15,817,780	31¾	+10⅛
DellCmp	7,549,780	63⅞	−⅞
Micsft	6,583,900	128⅛	+3⅞
SunMic	5,624,400	80¾	+4⅝
CiscoSys	[illegible]	[illegible]	[illegible]
WrldCm	5,179,900	63⅛	+1⅞
Intel	[illegible]	[illegible]	+⅝
Netscp	4,073,500	39⅞	+⅞
Earthlink N	3,421,400	71⅝	+19⅝
Brdvsn	3,378,400	36⅝	+9⅛

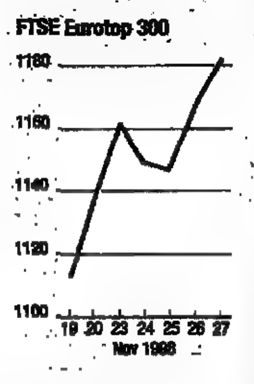
BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Egghead	31¾	+10⅛	+47.5
Earthlink N	71⅝	+19⅝	+37.2
Brdvsn	36⅝	+9⅛	+33.5
Verio	29⅝	+6⅞	+30.6
Downs			
AgriBiotec	12⅝	−1⅛	−11.2
Stnt&Stv	10⅝	−1	−8.8
Orthofix	11⅝	−1	−7.8
CCC Info	11	−⅝	−5.4

Dow Jones



FTSE Eurotop 300



JAPAN

	Nov 27	Nov 26	Nov 25	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	15069.39	15207.77	15073.47	17264.34	12879.97	[illegible]	85.25

Day's high: 15220.23 Day's low: 15069.39.

TOKYO TRADING ACTIVITY

Volume : [illegible]

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
SumMtl	17,317,000	152	+7
NpStl	13,193,000	229	+1
NKK	9,573,000	95	+2
[illegible]	9,082,000	782	+22
Toshiba	8,346,000	713	+2
Sakura	8,231,000	328	−9
YasTrB	6,111,000	122	[illegible]
NikkoS	5,989,000	426	[illegible]
AsahiCp	5,902,000	75	[illegible]
BTokM	5,219,000	1339	−1

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
ShokJt	68	+8	[illegible]
Asics	115	[illegible]	+9.5
NpVido	75	+6	+8.7
DNpTor	204	+16	+8.5
TkSd	612	+47	+8.3
TsChMn	275	+21	+8.3
Downs			
MbPapr	259	−21	−7.5
NTN	394	−27	−6.4

GERMANY

	Nov 27	Nov 26	Nov 25	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5121.48	5051.63	4944.37	6171.43	3896.08	6171.43	931.18

Day's high: 5139.33. Day's low: 5036.61

FRANKFURT TRADING ACTIVITY

Volume : (u)

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
DresdBk	761,790	78.8	+5.1
Dt Tel	592,480	50	+1.5
Dt Bk	579,894	105.95	−0.85
BHF Bk	506,810	67.2	+0.2
Siemens	428,053	119.95	+1.1
Commzbk	404,529	56	+0.5
DmlrCh	367,080	160.5	+1.3
FagKug	359,192	15.3	+0.4
BASF	350,272	65.75	−0.15
Bayer	282,354	72	+1.55

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
DresdBk	78.8	+5.1	+6.9
BMWPf	792	+47	+6.3
BMW	1340	+60	+4.7
Veba	97.5	+4.2	+4.5
Downs			
Drgwk	28.2	−1.8	[illegible]
WellaPf	1510	−70	−4.4
Altana	114.5	−3.85	−3.3
HeidZm	123	−4	−3.1

FRANCE

	Nov 27	Nov 26	Nov 25	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3950.94	3915.53	3849.84	4388.48	2862.54	4388.48	984.61

Day's high: 3962.38. Day's low: 3878.07

PARIS TRADING ACTIVITY

Volume : [illegible]

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Usinor	3,082,238	63.9	−2.6
Alctel	1,848,951	746	+11
FrTele	1,564,940	410	−2
RhonPA	1,426,510	293	+6
BNP	1,271,188	465.1	+25.3
Renault	827,408	266	+18.1
ElfAqu	686,750	740	+6
MichlnB	637,278	246.7	+7.7
Axa	540,138	750	+19
Schndr	519,895	372	+1.8

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Renault	266	+18.1	+7.3
Equant	319	+20	+6.7
C'phys	385	+21	+5.8
BNP	465.1	+25.3	+5.8
Downs			
CastGb	1150	−65	−5.3
Gibert	792	−36	−4.3
Promgr	535	−23	−4.1
Usinor	63.9	−2.6	−3.9

UK

	Nov 27	Nov 26	Nov 25	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5844.2	5827.9	5755.3	6179.00	4648.70	6179	986.9

Day's high: 5870.8 Day's low: 5768.7

LONDON TRADING ACTIVITY

Volume : 843,900,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Scottish Pwr	41,343,020	652	+1½
Barclays	24,453,770	[illegible]	−11½
Br Steel	20,134,750	104	−2½
Shell T&T	18,443,400	374	+6½
Stebe	15,077,820	218	+5½
BP	14,703,090	951	−6½
BTR	11,842,310	128	+3½
Safeway	11,221,850	306	+2¾
Centrica	11,065,450	123½	+3
Rentokil	10,266,620	410	+15

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Focus Dyn	31½	+11½	+57.5
Utd Carr	14	+3	+27.3
Brockleys	44½	+8	+21.9
Reunion	87½	+9½	[illegible]
Downs			
Delcam	28½	−23	−44.7
Medcalvary	7	−4	−36.4
Headway	28½	−7½	−22.1
Wood (A)	105	−25	−19.2

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	1186.20	1194.20	+8.10	1198.20	1186.20	63,023	398,084
Mar	1205.00	1206.10	+8.30	[illegible]	1202.80	2,738	27,123
Nikkei 225							
Dec	15100.0	15170.0	[illegible]	15340.0	15060.0	26,260	194,176
Mar	15170.0	15080.0	−80.0	15270.0	[illegible]	368	9,756

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	3926.0	3963.0	+45.0	3983.5	3878.0	[illegible]	117,388
Dec	3936.0	3972.0	[illegible]	3972.5	3887.5	100,178	113,230
DAX							
Dec	5090.0	5174.0	[illegible]	5181.0	5040.0	18,969	78,949
Mar	5140.0	5215.0	+76.0	5200.0	5095.0	110	8,317

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	703.50	714.25	+10.00	714.25	703.50	6,414	83,228
Dec	707.50	729.00	+20.00	729.00	707.50	21,599	[illegible]
SOFFEX							
Dec	7174.0	7220.0	+45.0	7267.0	7146.0	18,618	164,535
Mar	7188.0	7249.0	[illegible]	7262.0	7185.0	1,859	5,751

WORLD MARKETS AT A GLANCE

Country	Index	Nov 27	Nov 26	Nov 25	1998 High	1998 Low	Yield	P/E
Argentina	General	19814.50	19761.44	19703.52	23465.47 23/3	12893.14 10/9	[illegible]	12.40
A half-day session in New York left little incentive to trade on local bourse.								
Australia	All Ordinaries	2771.3	2772.0	2749.4	2861.40 18/4	2458.20 1/9	3.27	21.40
	All Mining	614.7	612.6	613.5	713.10 23/4	488.90 31/8		
Woolworths tumbled 7.3 per cent following news that its supermarkets general manager was leaving to work for competitor.								
Hungary	Bux	8002.80	8046.52	8043.80	9018.38 23/4	3775.02 21/9	na	na
Ended lower on profit-taking.								
India	BSE Sens.	2763.10	2825.08	2861.69	4280.96 21/4	2764.18 20/10		
	Crisil 500	557.97	569.271	565.58	818.82 21/4	557.69 20/10	na	na
Moved lower on worries about political instability.								
Portugal	BVL 30	4830.81	4855.28	4742.04	6176.89 22/4	3699.08 2/10	2.07	26.80
	PSI 20	11108.08	11145.73	10869.75	14292.98 22/4	8114.81 5/10		
Defied the firmer trend around Europe and closed lower. Profit-taking seen in Portugal Telecom.								
Russia	RTS	71.57	72.02	[illegible]	411.81 5/1	38.83 5/10	na	na
Ended lower in what brokers described as extremely low volumes.								

THE NASDAQ-AMEX MARKET GROUP

4 pm close Nov 27

THE NASDAQ-AMEX MARKET GROUP

AMEX

4 pm close Nov 27

EASDAQ

FT GUIDE TO THE WEEK

MONDAY 30

Baltic exchange

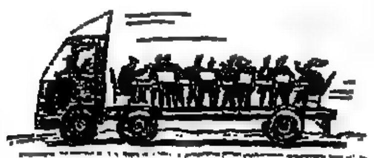
Norway hosts the first meeting of the Baltic Region Energy Co-operation Conference today and Tuesday. Energy ministers from 11 countries, including the three Baltic countries – Lithuania, Latvia and Estonia – the five Nordics – Norway, Sweden, Denmark, Finland and Iceland – and Poland, Russia, and Germany will convene in Stavanger. The goal of the meeting is to strengthen co-operation in the energy field, particularly over renewable resources and more efficient energy production, distribution and use. Austria, the US, and the International Energy Agency have been invited as observers.

Dry subject

Ministers and officials from more than 100 countries meet in Dakar, Senegal, for the second conference of the parties to the United Nations convention to combat desertification. The agenda for the two-week meeting includes establishment of a global mechanism for channelling financial help to affected countries, an assessment of the role of indigenous knowledge, and the adoption of a headquarters agreement with Bonn, where the secretariat will be sited. Desertification affects one-sixth of the world's population and one-quarter of the world's total land area.

Transport talks

European Union transport ministers will attempt to reach agreement on a directive that would establish for the first time in European law the principle that tolls on lorries can be varied depending on environmental damage. The proposed agreement is for the so-called Eurovignette network of



motorways and main arteries in Sweden, Denmark, Belgium, Germany, the Netherlands and Luxembourg, but could be used as a model for other road systems. A deal would clear the way for a separate trade agreement with Switzerland incorporating plans for an environmentally-based charging system on lorries passing through the Swiss Alps.

Divided prospect

Quebec voters go to the polls today to elect a new provincial government. While Liberal leader Jean Charest was expected to mount a strong challenge, the Parti Québécois government of Lucien Bouchard, which favours Quebec's separation from Canada, appears poised for re-election. Analysts say a landslide victory for the PQ could lead to another referendum shortly on Quebec sovereignty.

Quebec votes today to elect a new provincial government, with the separatist Parti Québécois favourite to remain in power and continue pushing for sovereignty

Mideast aid appeal

An international conference is held in Washington to seek new financial assistance to support the Israeli-Palestinian peace agreement. The US has invited around 50 nations and multilateral organisations to attend the donors' conference in a bid to co-ordinate aid for the region following the recent signing of the Wye River Agreement.

Holocaust assets

The US State Department and the US Holocaust Memorial Museum host a two-day Washington conference that will explore the issue of Nazi-looted assets, including art and insurance.

FT Surveys

World's Most Respected Companies; Denmark.

Holidays

Yugoslavia, Philippines.

TUESDAY 1

Taxing questions

European Union economics and finance ministers will tackle several vexed issues in their final meeting ahead of next week's EU summit in Vienna. German wishes for minimum taxation of companies in the EU will meet resistance from Britain and the European Commission. The "ecofin" meeting will also try to decide who should represent the euro-area in international forums such as the Group of Seven leading industrial countries after the launch of the single currency on January 1. In the evening, the ecofin ministers meet EU social affairs ministers in a so-called "jumbo" council to consider co-ordinated strategies for combating unemployment in 1999.

World Aids Day

World Aids Day focuses on southern Africa, which faces an explosion in the HIV/Aids epidemic and human disaster on an unprecedented scale. According to the UN agency UNAids, 1.4m people will have been newly infected in 1998 by the HIV virus, which causes Aids, half of them in South Africa alone. The economic costs are being felt not only by households but in corporate profits as companies experience lower productivity, high treatment costs, bigger benefit payouts and replacement training.

Central Bank meets

The European Central Bank governing and general councils hold regular meetings.

FT Survey

Supply Chain Logistics.

Holidays

Central African Republic, Portugal, Romania, Turkmenistan.

WEDNESDAY 2

OSCE conference

Foreign ministers from all 54 members of the Organisation for Security and Co-operation in Europe meet in Oslo for two days to discuss the Kosovo verification issue, the European security charter and the role of the OSCE in co-operation with other organisations, such as Nato and the United Nations, and whether it should carry out its own peacekeeping missions. The meeting, held every other year, will also decide on a new chairman. Mediterranean partners Israel, Egypt, Tunisia, Algeria and Morocco will also attend, as well as non-members South Korea and Japan, acting as observers.

Austrian finale

Preparations for the summit of European Union leaders, the European Council meeting in Vienna on December 11 and 12, will dominate the two-day plenary session of the European Parliament in Brussels. The summit will mark the formal climax of Austria's presidency of the union – Germany takes over on January 1. The parliament will consider the applications for EU membership of Latvia, Romania, Slovakia, Lithuania and Bulgaria before looking at the problem of MEPs' salaries and expenses.

ILO's Asian gloom

A report released in Hong Kong by the International Labour Organisation predicts increasing economic and social turbulence as a consequence of the Asian financial crisis and calls on countries in the region to increase democracy and social protection, including introduction of unemployment insurance. Cataloguing the region's growing poverty and joblessness, the report says the Asian social model needs to adapt to the new reality that high and sustained growth can no longer be taken for granted.

FT Surveys

Review of Information Technology; Indian Information Technology.

Holidays

United Arab Emirates, Kyrgyzstan.

THURSDAY 3

WTO report

The World Trade Organisation publishes its annual report in Geneva, giving an overview of the world trading system and forecasts for world trade this year and next. WTO economists said last month that they expected trade growth this year to be less than half last year's 9.5 per cent in volume terms while next year could see a further slowing to 3 per cent. In March the WTO predicted that the Asian crisis would cause just "a small dent" in the world economy.

Church assembly

The Jubilee Assembly of the World Council of Churches opens in Harare.

FT Surveys

Automotive Industry; Turkish Finance and Industry; Business in the Community (UK only).

Holidays

United Arab Emirates, Sri Lanka.

FRIDAY 4

FT Survey

Ebro Valley.

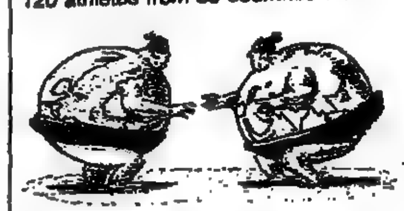
Holidays

Ghana, Iran.

SATURDAY 5

Sumo world title

The two-day tournament of the seventh sumo world championships begins in the Kokugikan arena in Tokyo. About 120 athletes from 35 countries will be



competing in team and individual tournaments and Japan will be seeking to maintain its record with a seventh title in the team competition.

Holidays

Iran, Bangladesh.

SUNDAY 6

Northern poll

The Turkish Cypriot state in northern Cyprus plans general elections. Cyprus has been divided into rival ethnic Turkish and Greek Cypriot zones since mainland Turkish troops invaded in 1974 in response to a Greek Cypriot coup backed by Athens.

Holiday

Malta.

Compiled by Roger Beale
Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news

Tuesday: A key measure of US business activity, the National Association of Purchasing Managers' index, is expected to hold steady for November, underpinned by plans for a slight increase in car production. Japanese gross domestic product is expected to show another sharp drop of about 3.5 per cent for the third quarter. The UK purchasing managers' index is likely to reflect a deterioration in the manufacturing sector.
Thursday: German GDP growth should have risen in the third quarter by 0.7 per cent, according to Deutsche Bank Research. Real spending by Japanese households is thought to have fallen 1.4 per cent annually in October. In the UK, the Confederation of British Industry survey of distributive trades is likely to show weak retail sales in November.
Friday: US non-farm payrolls are thought to have risen in November by 165,000 from October. The unemployment rate, meanwhile, is expected to hold steady at 4.6 per cent. October factory gate orders should have fallen about 1 per cent.

Statistics to be released this week

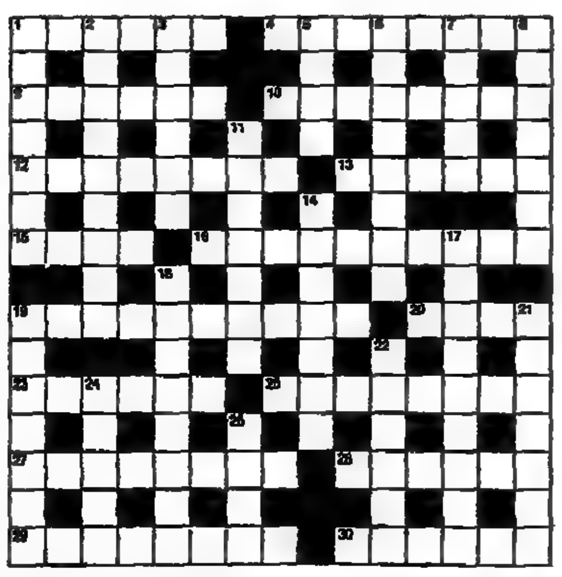
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Oct construction orders**		-8.9%
Nov 30	Japan	Oct housing starts**	13.0%	-14.0%
	Japan	Oct construction starts**		-17.5%
	UK	Oct consumer credit	$1.0bn	$1.3bn
	Canada	Sept labour income*	0.2%	-0.1%
	Canada	Sept real GDP-Factor cost*	0.3%	0.7%
	Canada	Q3 current account	13.5bn	-16.9bn
	Canada	Q3 Real GDP†	2.0%	1.3%
	Canada	Consumption	2.5%	5.4%
Tues	Australia	Oct building approvals	2.0%	1.9%
Dec 1	Australia	Oct retail trade	0.5%	0.8%
	Australia	Q3 current account	$-7.2bn	$-6.6bn
	Japan	Nov automobile sales**		-17.1%
	Japan	Nov forex reserves*		0.9%
	US	BTM-Shroders 28 Nov		-0.5%
	US	Oct construction spending	0.5%	0.4%
	US	Oct leading indicators	0.2%	UNCH
	US	Redbook 28 Nov		0.1%
	US	Nov domestic automobile sales	6.9m	7.3m
	US	Nov domestic light truck sales	6.9m	7.0m
Wed	France	Oct PPI*	-0.2%	-0.1%
Dec 2	France	Oct PPI**	-1.6%	-1.5%
	UK	Nov official reserves		
	US	Oct new home sales	850k	822k
	Australia	Q3 GDP	0.8%	0.7%
Thurs	Japan	Q3 GDP	-2.4%	-3.3%
Dec 3	Japan	Oct overall PCE**	-2.3%	-1.5%
	Japan	Oct PCE (workers)**	-2.3%	-1.5%
	Japan	Oct income (workers)**		-1.6%
	UK	Nov CIPS services survey		52.1
	US	Initial claims 28 Nov	315k	300k
	US	State benefits 21 Nov		2,195k
	US	M2 week-ended 23 Nov		
	Germany	Nov GDQ†	0.7%	0.1%
	Germany	Nov GDQ**	2.6%	1.7%
	US	Nov NAPM (non-manufacturing)		
	US	Oct home completions		1.47m
	US	Q3 productivity revenue	2.8%	2.3%
Fri	US	Nov manufacturing payrolls	-20k	-52k
Dec 4	Japan	Oct coincident index	42.8%	37.5%
	Japan	Oct leading differentials index	28.6%	37.5%
	Italy	Nov final CPI*	0.1%	0.2%
	Italy	Nov final CPI**	1.5%	1.7%
	Canada	Employment*	25k	57k
During the week...				
	Germany	Oct Icon consumer climate		100
	Germany	Oct capital account		DM4.7bn
	Germany	Oct net foreign bond purchases		DM8.3bn
	Germany	Oct manufacturing orders pan-Germany*	-0.5%	-0.5%

*month on month, **year on year † quarter on quarter. *Statistics, courtesy Standard & Poor's MMS.*

MONDAY PRIZE CROSSWORD
No.9,852 Set by DANTE

ACROSS
1 Offer to surrender (6)
4 Guard ordered to breached line (8)
9 They're dishonest German women who take a number in (6)
10 Light shadows on the log hearth (8)
12 Need rest perhaps when taken ill (8)
13 Procure release of prisoner for three months (6)
15 Want to work with the hands, say (4)
16 It costs nothing to try (4,6)
19 Large air intake (4,6)
21 Business unlikely to go into liquidation? (4)
23 Orders a transfer of credits without right (6)
25 Leader whose utterances in office are recorded (8)
27 Attacks and captures (8)
28 Proceeds to answer (6)
29 Just a second (6-2)
30 He's best in the long run (6)

DOWN
1 Colouring when second offence is detailed (7)
2 Club about to give female support (9)
3 Order tinned hash (6)
5 Time's up! Come out! (4)
6 He paints badly so becomes an actor (8)
7 Biblical character caused no end of a minor riot (5)
8 Angela's cooked an Italian dish (7)
11 Transferred between banks (7)
14 Belong to an eccentric painter (7)
17 The job of a traffic policeman is to indicate what one should do (5,4)
18 Busts are developed, but not easily perceived (8)
19 Theatre employee – qualified in first aid? (7)
21 Itinerant craftsman (7)
22 Take the stand at a trial (6)
24 Nine get half ration – yet he got revolutionary punishment (5)
26 It's neckwear, say, for the dandy (4)



Winner of Puzzle No.9,840: D. Young, Hove, East Sussex

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday December 10, marked Monday Crossword 9,852 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday December 14. Please allow 28 days for delivery of prizes.

Name ____________________

Address ____________________

Solution 9,840

COURTING COUPLE
A N U I P L N
NOSEBAGS REWARD
D A I H R R O
INFINITY PASTOR
D E G D I T A S
TRAMPOLINE
G O A E P R N D
ASPIDISTRA
M P J S E S L S
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WORLD'S MOST RESPECTED COMPANIES

MONDAY NOVEMBER 30 1998

It pays to be big and it pays to be American

In this first worldwide version of the FT's annual survey of corporate reputation **Tony Jackson** analyses the winners – and the losers

FINANCIAL TIMES
No FT, no comment.

PRICEWATERHOUSECOOPERS

World's Most Respected Companies Survey

GE Microsoft Coca-Cola IBM TOYOTA

World's top companies
(base: all respondents; top 40 nominations)

Rank	Company	Country	Sector
1	General Electric	US	Electrical/IT/Telecoms
2	Microsoft	US	Electrical/IT/Telecoms
3	Coca-Cola	US	Food/Beverages/Consumer Goods
4	IBM	US	Electrical/IT/Telecoms
5	Toyota	Japan	Engineering
6	Daimler-Benz	Germany	Engineering
7=	ABB	Switzerland/Sweden	Engineering
7=	Nestlé	Switzerland	Food/Beverages/Consumer Goods
9=	Ford	US	Engineering
9=	Intel	US	Electrical/IT/Telecoms
11	General Motors	US	Engineering
12	Royal Dutch/Shell	Netherlands/UK	Energy/Chemicals
13	BMW	Germany	Engineering
14=	Hewlett-Packard	US	Electrical/IT/Telecoms
14=	Procter & Gamble	US	Food/Beverages/Consumer Goods
16	Philip Morris	US	Food/Beverages/Consumer Goods
17=	Alstom	France/UK	Engineering
17=	Cargill	US	Food/Beverages/Consumer Goods
17=	Colgate-Palmolive	US	Food/Beverages/Consumer Goods
17=	Johnson & Johnson	US	Healthcare
17=	McDonald's	US	Media/Leisure
17=	Servicemaster	US	Healthcare
17=	Wal-Mart	US	Retail
24=	3m	US	Food/Beverages/Consumer Goods
24=	Mobil	US	Energy/Chemicals
24=	Sony	Japan	Electrical/IT/Telecoms
27=	Body Shop International	UK	Retail
27=	Dell	US	Electrical/IT/Telecoms
27=	Honda	Japan	Engineering
27=	Japan Railway East	Japan	Transport
27=	Wiley (J) & Sons	US	Media/Leisure
32=	Benetton	Italy	Retail
32=	Motorola	US	Electrical/IT/Telecoms
32=	Swiss Reinsurance	Switzerland	Financial
35=	Boeing	US	Engineering
35=	British Airways	UK	Transport
35=	DuPont	US	Energy/Chemicals
35=	Marks and Spencer	UK	Retail
35=	Nokia	Finland	Electrical/IT/Telecoms
35=	Unilever	Netherlands/UK	Food/Beverages/Consumer Goods

When it comes to business reputation, it appears, big is beautiful. The world's two largest companies by market value, at around $300bn apiece, are General Electric and Microsoft. Sure enough, they turn out also to be the world's most respected, while their bosses, Jack Welch and Bill Gates, top the poll of business leaders.

In this first worldwide version of the FT's annual survey of corporate reputation – previously restricted to Europe – America takes most of the prizes. Of the top 40 companies on the list, 23 are from the US, 13 from Europe and four from Japan. The rest of the world does not figure at all.

Granted, there are special factors at work. Though chief executives were polled from 53 countries worldwide, it seemed logical to weight their responses according to their importance. The main way of doing that was by the size of their home economy: and since America is the world's largest, US votes counted for the most.

That said, there were clear differences in the scores of the top US companies. GE, remarkably, received twice the vote of Microsoft, which received twice that of Coca-Cola, which received twice that of IBM.

It seems that Microsoft's strong-arm tactics may have dented its reputation among its peers – both other American CEOs and its rivals worldwide in the broad electrical and IT sector. Among US CEOs it received one sixth the votes of GE, and ranked lower than Toyota: and in its sector it came eighth, behind British Telecom, Emerson Electric and Ericsson.

Toyota's fifth place in the world rankings is remarkable, given the battering received by corporate Japan in recent years. Significantly, support was particularly strong among US senior executives, who doubtless recall how much Toyota had to teach them about lean manufacturing back in the 1980s.

Nor was Toyota the only carmaker to score highly in the world rankings. The auto industry can often seem lumbering and old-fashioned, with a penchant for overcapacity and making periodic losses. But no fewer than five car companies figured among the top 13 besides Toyota: in order, Daimler-Benz, Ford, General Motors, BMW and Honda.

Daimler-Benz's position is perhaps not unexpected. The field work for the survey was conducted in the autumn, and in May Daimler galvanised the auto world by merging with – or, more realistically, taking over – Chrysler. Among European CEOs, Daimler took top position of any company.

And what of ABB? In the previous four years of the survey, which covered only Europe, ABB came top. Now it ranks seventh in the world, one place behind Daimler-Benz. In the specifically European rankings, astonishingly, it does not figure in the top 10.

Changes in survey methodology make comparisons with former years difficult. But this time, almost all ABB's support came from Asia. Little came from within its own sector of engineering, where it ranked equal sixth with Bosch of Germany and Valeo of France and Crown Cork & Seal of the US.

Since last year's survey Percy Barnevik, ABB's former and highly respected boss, has moved on to run Investor, the top company of the Wallenberg empire. Investor, as a holding company, does not figure in the rankings. But Mr Barnevik does, coming sixth in the world listing of most respected leaders – 10 places ahead of his successor at ABB, Goran Lindahl.

Which other sectors were heavily represented among the world's top 40? One is unsurprising: the group covering electricals, IT and telecommunications. Of the 10 from this sector, we already know about GE, Microsoft and IBM. Other high rankers include the US giants Intel and Hewlett-Packard, and Dell Computer.

The picture given by CEOs within the sector itself is rather different. GE and IBM come first and second in the sector rankings, followed by Hewlett-Packard and Matsushita of Japan. Intel comes nowhere: which, given its grip on the personal computer industry, is quite as striking as the humble sector ranking of Microsoft.

Equally surprising, perhaps, the only phone company in the sector top 10 is British Telecommunications. After its failure last year to take over MCI of the US, BT is seen by some as being in strategic disarray. Indeed, it does not figure in the worldwide top 40 – though to be fair, no other telephone company does either.

The other sector to figure prominently in the world rankings is consumer goods manufacturing, with eight in the top 40. All the big names are there: Coca-Cola at no 3 and Nestlé at number seven, followed at some distance by Procter & Gamble, Philip Morris and Colgate Palmolive. Unilever makes it, but at the bottom as joint 35th.

One company figuring higher than that is the US grain giant Cargill, at joint 17th. The interesting point is that Cargill is a private company – America's largest, with sales of more than $60bn.

After the field work was completed, it came to some prominence with the purchase of the global commodity business of another private company, Continental Grain, thus taking a one-eighth share of the North American grain market. In general, though, this family-controlled company keeps a low profile. All its votes came either from US CEOs, or from within its sector.

One sector which figured scarcely at all in the world rankings was financial services. The only entrant in the top 40 was Swiss Reinsurance, at joint 32nd. As ranked by its peers in the sector, however, it came only third, behind Citicorp and GE Capital.

Citicorp's standing may prove temporary. In April, it announced its $155bn merger with Travelers Group. More recently, it has become plain that the merger is troubled, with one co-chairman saying publicly that parts of the business were "just not getting it together."

Spectacular mergers, though, do not necessarily guarantee a high ranking. BP does not make the world rankings at all, while Shell comes in 12th. This is despite the fact that in early August, in good time for the survey, BP pulled off the world's biggest industrial merger with its $30bn purchase of Amoco.

It has to be said, in fact, that UK companies did not make much of a showing. Shell and Unilever do not quite count, being Anglo-Dutch: nor does Alstom.

Continued on page 3

Research for this survey was conducted by PricewaterhouseCoopers.
Analysis by Financial Times writers.

GENERAL ELECTRIC by Richard Waters in New York

Quality of life at the top

The US group may have lost its position as the most valuable company but few organisations have created so much wealth for their shareholders in so short a period

It is not hard to see why General Electric is so widely respected.

The US group may have lost its position as the world's most valuable company in recent weeks, giving way to Microsoft (at least, once the value of options held by Microsoft employees is taken into account). But few companies have ever created so much wealth for their shareholders in so short a period.

GE's recent past has been, in the words of one chief executive who responded to the survey, "a history of sustained growth and shareholder value". The company had a market capitalisation of less than $20bn when Jack Welch took over as chairman in 1981: last month, as share prices recovered from their early autumn swoon, it topped $300bn. "A phenomenal return to shareholders," as another respondent put it.

Behind that performance lies a number of trademark qualities which were singled out by other chief executives who took part in the survey. One is the consistently high growth rate that GE has achieved, both in terms of revenues and earnings. GE has not just performed well over the long term: each quarter has become part of an almost boringly predictable series of double-digit growth.

That reflects the company's constant hunt for areas in which to expand, both in terms of new activities and new regions of the world.

Financial services have led the diversification, accounting for around 40 per cent of profits. Without that, GE's performance this decade would have been far more ordinary. Its ability to pull off that diversification without falling into the sort of traps that hit many other US industrial companies in the late 1980s and early 1990s is just one sign of the highly disciplined investment approach for which GE is renowned.

The expansion abroad also draws admiring glances, helping to make GE the most widely respected company not just in North America but in the world, according to the survey.

'Expansion abroad helps make GE the most widely respected company in the world'

It is the management strengths that lie behind this sustained performance that explain why GE is so often held up as a model by other companies. Despite the wide diversity of its activities, the group is praised for its "clear vision" and "uniform system of corporate values".

A GE manager encountered in one part of the group can act and sound much like a manager in another. That is hardly surprising – executives move regularly between divisions. The track record suggests that any weaknesses in terms of lack of experience are more than made up by the application of a common style and set of management techniques.

The clarity of the vision that lies behind its approach also helps to explain the surprisingly uniform nature of different GE businesses. Mr Welch has long displayed a knack for encapsulating his ideas in ways that make them easily disseminated – then driving them home with remorseless regularity until they become second nature to managers.

One case was his insistence, early on, that GE businesses should be number one or number two in their respective industries. Another is his more recent enthusiasm for "boundaryless" behaviour, urging managers not to limit themselves by taking too narrow a view of their roles.

Ideas spelled out in a chairman's letter can become the driving force that motivates managers around the world. In the mid-1990s, Mr Welch outlined three ways in which GE would continue to grow: by grafting services on to its existing manufacturing businesses, by raising quality to ever higher levels and by expanding overseas. It is hard to talk to any GE manager now and not be regaled with discussions of the Six Sigma quality drive, or the move into services.

As one respondent to the survey put it, GE under Mr Welch has proved itself "immensely good in formulating ideas and translating them into action".

Lou Gerstner (left), 'singlemindedness', and Andy Grove, 'disarming modesty' AP

MICROSOFT, IBM AND INTEL by Louise Kehoe in San Francisco

Juggernauts of the high-tech world

Three high-ranking US companies have played a central role in creating today's information technology industry

Microsoft, International Business Machines and Intel – three juggernauts of the high-technology world – rank, second, fourth and ninth, respectively, among the world's most respected companies.

Together, often in collaboration but at times competing aggressively, these three US companies have played a central role in creating today's information technology industry.

Microsoft's software and Intel's chips are core components of the personal computers that IBM initially launched in the early 1980s, radically changing the working lives of millions of people.

All three dominate their core markets and all three have global operations. Yet the most notable characteristic that these companies have in common is their demonstrated ability to adapt rapidly to shifting market and technology trends.

Microsoft changed course when it recognised the significance of the internet. Over the past year, Intel has restructured its business to address an increasingly segmented market for microprocessor chips used in different types of computers.

IBM, which has undergone far more drastic change, has rejuvenated itself by reinventing the mainframe computer, using the latest semiconductor technology, to make it cost-competitive with alternative "distributed" computing systems. As well as keeping pace with change, Microsoft, Intel and IBM are now expanding into new markets.

Microsoft is moving beyond the desktop into "enterprise computing" with software for powerful computer systems and networks. IBM is building a big new services business, while Intel is developing ever more powerful microprocessor chips for use in large-scale computers as well as in high-volume office, consumer and mobile PCs. In size, each is the world's largest company in its segment of the information technology industry.

Yet Microsoft's high ranking, in particular, may come as a surprise to some. Far from commanding respect, the software industry leader is facing charges, filed by the US Justice Department and the attorneys-general of 20 US states, that it has used anti-competitive business practices to maintain its monopoly in the market for personal computer operating systems software.

Microsoft is a company that people either admire greatly or despise.

It is notable that Microsoft received greater support outside the US, where it has few direct competitors. Latin American chief executives gave the company more votes than top-ranking General Electric. In Europe, Microsoft almost tied with GE. Yet in North America, Microsoft trailed in fourth place behind not only GE but also Coca-Cola and Toyota.

However, Microsoft, with Bill Gates, its multibillionaire chairman and chief executive, is also one of the most written about companies in the world. It features regularly in newspaper headlines and on the covers of business magazines.

Microsoft has "changed the way we live and communicate with each other," said one survey participant. "Among all the companies in the world it is the most competitive," commented another.

Mr Gates came second only to Jack Welch of GE among the most respected business leaders. He was hailed as a "genius" by several survey participants and admired for his "brilliant strategic planning". He is "completely unintimidated by anything", said one chief executive, in a comment that would surely ring true among Microsoft's competitors.

International Business Machines, in fourth place, clearly won its votes as a "comeback" company. "They managed a spectacular turning point," said one supporter.

Another chief executive summed up the situation. He or she described IBM as a "technology leader that proved itself capable of responding to dramatic changes in the past 10 years".

Lou Gerstner, IBM chairman and chief executive, gets all the credit. Ranked fourth among the most respected business leaders, he is admired for his "singlemindedness" and "customer focus". He also wins plaudits for his "ability to revive the company (by) creating a world-wide focused strategy".

IBM was ranked even more highly by chief executives from the its own industry sector. However, North American chief executives are not great fans of "Big Blue", as the world's largest computer company is commonly known. Their votes did not even rank IBM among the top 10 companies.

In contrast, Intel was ranked higher by its home crowd than in the worldwide rankings. The chipmaker came joint ninth among the world's most respected companies, but number five in North America.

Surprisingly, the most advanced semiconductor manufacturer in the world did not make the top 10 in its own industry segment. Perhaps, as a components supplier, Intel did not get the recognition it deserves. Ironically, the products of most of the top 10 companies in the industry, as ranked by survey participants, benefit greatly from Intel's rapid technology advances.

Andy Grove, Intel chairman, was placed fifth among world business leaders. Mr Grove, who handed over the role of chief executive to Craig Barrett earlier this year, is held in even higher esteem within the US technology industry. He guided Intel from revenues of $2.9bn in 1988, to $25bn last year, a 27 per cent compound annual growth rate.

Known for his direct and sometimes abrasive comments, Mr Grove last year upbraided European executives for failing to adapt more quickly to e-mail.

Yet Mr Grove is also widely admired for his disarming honesty. A refugee from Hungary who arrived in the US with nothing but great ambitions, Mr Grove has recently spoken out against those who would limit immigration in the US.

Although survey participants did not rank any of these companies number one, information technology was the only industry to have three companies placed among the top 10 in the world. In North American rankings, these three were joined by Lucent, the communications equipment spin-off from AT&T, and America Online, the leading internet access service, with more than 14m subscribers.

World's Most Respected Companies by sector

Electrical/IT/Telecoms

Rank	Company	Country
1	General Electric	US
2	IBM	US
3	Hewlett-Packard	US
4	Matsushita Electric Industrial	Japan
5=	British Telecommunications	UK
5=	Emerson Electric	US
5=	Ericsson	Sweden
8	Microsoft	US
9	Vodafone	UK
10=	Siemens	Germany
10=	Sony	Japan

Energy/Chemicals

Rank	Company	Country
1	Royal Dutch/Shell	Netherlands/UK
2	DuPont	US
3	Rohm & Haas	US
4	British Petroleum	UK
5	Enron	US
6	Husky Oil	Canada
7	Bayer	Germany
8	SGL Carbon	Germany

Engineering

Rank	Company	Country
1	Toyota	Japan
2	General Motors	US
3	Illinois Tool Works	US
4=	Daimler-Benz	Germany
4=	Goodyear	US
6=	ABB	Switzerland/Sweden
6=	Bosch	Germany
6=	Crown Cork & Seal	US
6=	Valeo	France
10	Ford	US

Financial

Rank	Company	Country
1	Citicorp	US
2	General Electric (GE Capital)	US
3	Swiss Reinsurance	Switzerland
4	Goldman Sachs	US
5=	Mellon Bank	US
5=	J P Morgan	US
5=	Northwestern Mutual Life	US
8	Deutsche Bank	Germany
9	Allianz	Germany
10=	Axa-UAP	France
10=	Bank of America	US
10=	Morgan Stanley Dean Witter Discover	US

Food/Beverages/Consumer Goods

Rank	Company	Country
1	Nestlé	Switzerland
2	Coca-Cola	US
3	3m	US
4	Procter & Gamble	US
5	Whitbread	UK
6	Philip Morris	US
7=	Cargill	US
7=	Kellogg	US

Healthcare

Rank	Company	Country
1=	Glaxo Wellcome	UK
1=	Merck	US
3	Pfizer	US

Media/Leisure

Rank	Company	Country
1=	Bertelsmann	Germany
1=	Omnicom	US
3=	McDonald's	US
3=	News Corporation	Australia
5	Donnelley (R R) & Sons	US
6	Time Warner	US
7	Disney	US

Paper and Paper Products

Rank	Company	Country
1=	Champion International	US
1=	Industrieholding Cham (Cham-Tenero)	Switzerland
3	Enso	Finland

Property/Construction

Rank	Company	Country
1	Saint-Gobain	France
2=	Bechtel	US
2=	Clayton Homes	US
4	Corning	US
5=	Cemex	Mexico
5=	Holderbank	Switzerland

Resources

Rank	Company	Country
1	Rio Tinto	UK/Australia
2	Carpenter Technology	US

Retail

Rank	Company	Country
1	Wal-Mart	US
2	Nordstrom	US
3	American Stores	US
4	Gap	US
5	Home Depot	US

Transport

Rank	Company	Country
1	Deutsche Lufthansa	Germany

Utilities

Rank	Company	Country
1	Duke Energy	US
2	National Power	UK

PROFILE
JACK WELCH

Man with a huge corporate fan club

An unusual book has just appeared in the stores – one that dares to take issue with the legendary achievements of Jack Welch.

There is, according to its author, Thomas O'Boyle, a dark side to the man who has run General Electric since 1981: an uncaring, short-termist approach to business that has wrecked thousands of careers and destroyed the soul of one of the great American corporations.

If Mr O'Boyle seems to be in a minority of one, it is hardly surprising. In an era when shareholder value is held up as the ultimate corporate good, the chairman of GE has created more value than any other executive of his generation. That long and solid track record has made him, according to chief executives, the clear choice for the title of world's most respected executive.

It is, in part, the very same characteristics identified by Mr O'Boyle that help account for Mr Welch's huge fan club in the corporate world. The difference is that Mr Welch's peers see those traits as a force for good, rather than for harm.

He has a ferocious energy and relentless approach to business, driving his managers on to ever-higher achievements. Those that cannot stay the course are spat out by the remorseless GE machine, but those that remain now comprise the most highly regarded cadre of executives in America.

Managers trained in the hard-driving Welch school have also achieved prominence elsewhere, taking his methods with them. Larry Bossidy, a former GE vice-chairman and now chairman of AlliedSignal, says of his former boss: "You can't be successful for as long as he has been without some unusual qualities."

Foremost among those mentioned by executives who responded to the survey was Mr Welch's ability to keep breathing new life into what, according to some management thinkers, is really a dinosaur of the corporate world: a broad-based industrial and service conglomerate.

That success reflects, in equal parts, heavy doses of vision and energy.

The vision has kept Mr Welch ahead of the game, pre-empting problems before they arise. Almost as soon as he had taken the helm, for instance, the new GE chairman set about slashing the company's costs and bureaucracy, at a time when few others thought GE needed fixing.

He also showed good timing in disposing of lagging businesses or entering new, faster growing ones. Together, these qualities help explain why GE has flourished during a period in which Westinghouse Electric, a company which once bore many similarities, floundered.

Mr Welch's energy, and his ability to drive home his vision of what GE is about, also draw strong approval. It is, according to one respondent to the survey, "the ability to keep such a large organisation moving" that distinguishes Mr Welch. Another adds: "He has made sure that everyone in the company, from top to bottom, knows what their job is and where they fit into the core vision of the company."

Mr Bossidy goes further, pointing to Mr Welch's ability to adapt his vision to changing circumstances. "He renews himself all the time. He isn't in the same place he was a year ago." One example, says Mr Bossidy, is his former mentor's attitude to Asia: he was once lukewarm on investing in the region, but has now reversed that view and has been hunting for openings created by the recent economic downturn.

For people who work with him, the GE chairman can seem intimidating or inspiring. That no doubt accounts for some of the antipathy detected by Mr O'Boyle in his recent book, *At any cost*. Managers who have to present a case in front of the boss can sometimes quail before his aggressive questioning.

He can also be highly personable, however, and command huge loyalty. "He can be tough and demanding, as you have to be in these

Jack Welch: relentless approach to business

roles – but he is the most charming person you will meet," says Mr Bossidy.

It is a remorseless, take-no-prisoners personal style that helped Mr Welch rise through the ranks from a working class Massachusetts background to win the sort of position once reserved for the blue bloods of the American business elite.

The end of the Welch reign at GE is already coming into sight, however. The chairman is due to go at the end of 2000, after two decades at the top. It will be a big hole to fill.

Richard Waters

NESTLE by William Hall in Zurich

Strength of brands is key to success

The food sector winner has few rivals as a global company. It is in fact today more multinational than any of its competitors

If there is one multinational which symbolises Switzerland's long-term success in the business world, it is Nestlé, the world's biggest consumer food company.

It is very international, rather secretive and more conservative than most rivals. It is not a company that dances to the latest corporate and financial tunes.

Until 10 years ago non-Swiss were not even allowed to own Nestlé's registered shares, and it did not start issuing half yearly profit figures until 1989. It is effectively protected from takeover since no shareholder is allowed to have more than 3 per cent of the votes.

It persists in retaining stakes in non-food businesses, such as L'Oréal, the world's biggest cosmetics company, when many stock market analysts believe that its shareholders would be better served by divestment.

Its supervisory board is Switzerland's most powerful club and appears rather inbred by Anglo-Saxon standards of corporate governance. Many of its directors have served for well over a decade and Rainer Gut, the chairman of Crédit Suisse, will be 68 when he takes over as Nestlé's next chairman in 2000.

But, although Nestlé may not always conform to the conventional wisdom of what makes a great company, almost half of its shares are now owned by international investors and its rise up the list of Europe's most respected companies underlines its success.

The survey cites factors such as consistent marketing and product development, strength of brands and aggressive marketing, a strong and efficient management style and ability to diversify and yet stick to the core values of the business.

Although General Electric is the world's most respected company overall, Nestlé is the clear winner among food and beverage companies and receives almost twice as much support as Coca-Cola in this sector.

Helmut Maucher: ninth most respected business leader AP

Nestlé stresses long-term continuity. It was founded more than 100 years ago by Henri Nestlé, a German, who began making baby food in Vevey, a small town on Lake Geneva.

Although it is now much more multinational than any of its competitors – it generates just one per cent of its sales in Switzerland – it remains in Vevey and the company symbol, two young birds on a nest, is the same as it was in Henri Nestlé's day. (Nestlé means "little nest" in German.)

Unlike some successful multinationals, such as Coca-Cola, Nestlé is not a one-product company. Having started in baby food, in 1938 it invented Nescafé, the first instant coffee, which has grown into the world's most popular brand with more than 3,000 cups drunk every second.

Today, Nestlé has more than 8,500 brands ranging from Perrier mineral water and Carnation foods to Kit-Kat chocolate bars and Mighty Dog pet foods.

Nestlé's most important assets are its brands and its local brand managers.

Chief executive Peter Brabeck, who started as a Findus frozen food salesman 30 years ago, regards his company's brands as "creatures with a soul".

His local brand managers have considerable autonomy and by decentralising management Nestlé keeps close to its billions of consumers.

Brands need to be "nursed rather than managed" and this cannot be done by the Vevey head office, says Mr Brabeck.

When it comes to global companies Nestlé has few rivals. It opened its first office in London in 1868 and began manufacturing in the Philippines in 1926 and Japan in 1933. Today it runs around 500 factories in 76 countries and employs 226,000 staff.

It is already the third biggest food company in China and India and has been using the recent crisis in Asia to strengthen its position in markets, such as the Philippines, where it is already number one.

Nevertheless, it has changed considerably under Helmut Maucher, 70, who took over as chief executive in 1981 and remains chairman. He has reduced dependence on Nescafé, divested lame ducks and spent SFr33bn on acquisitions.

He also defused the long-running row over Nestlé's aggressive marketing of baby food to third world countries which was seriously damaging the company's reputation.

Mr Maucher, who will step down in two years time, is not the most charismatic of chairmen. But he has overseen a rejuvenation of Nestlé's fortunes by playing to its long-term strengths as one of the world's great brand managers.

Europe's Most Respected Companies

Rank	Company	Country	Sector
1	Daimler-Benz	Germany	Engineering
2	Nestlé	Switzerland	Food/Beverages
3	Royal Dutch/Shell	UK/Netherlands	Energy/Chemicals
4	British Petroleum	UK	Energy/Chemicals
5=	BMW	Germany	Engineering
5=	Lloyds TSB	UK	Financial
7	Deutsche Bank	Germany	Financial
8=	L'Oréal	France	Healthcare
8=	SAP	Germany	Electrical/IT/Telecoms
10	Nokia	Finland	Electrical/IT/Telecoms

ALSTOM by Peter Marsh

Language poser resolved

The Anglo-French group's international culture has propelled it into the top 20

It took Alstom, the Anglo-French electrical engineering group formed nine years ago but floated as an independent entity this summer, just six months to end its experiment in "language sharing".

That was the time the company spent in its ultimately unsuccessful effort to maintain both French and English as its official working languages. Before the flotation Alstom was owned jointly by GEC of Britain and Alcatel of France and known as GEC-Alsthom.

The company is ranked joint seventeenth in the list of the world's most respected companies, 10 places behind their power generation rivals ABB, the winner in previous years of the Price Waterhouse/FT survey of Europe's most respected companies.

Pierre Bilger: heads a diverse top team

Back in 1989 it quickly became evident that the complexities of putting all company literature in both languages, without giving the impression of favouring one or the other, easily outweighed any benefits from the approach.

Since those early days the company has standardised on English as its main working language, even though its headquarters are in Paris and 38 per cent of its 110,000 employees are in France as opposed to just 17 per cent in Britain.

Pierre Bilger, chief executive of the company since 1991 who stepped up to become chairman as well three years ago, admits that the move stoked some grievances on the French-speaking side of the company, which is one of the world's biggest suppliers of equipment such as generator sets, transmission and distribution systems and trains.

With sales last year of Ecu14.1bn ($16.4bn) it also makes cruise ships, signalling systems and industrial drives.

The high ranking company has achieved is no doubt due at least in part to its strength in these areas, including its TGV high-speed train, export orders for which have been won in North America and Asia. The company has also made a success of transforming itself into a European and international company.

Since the start of the company, in which GEC and Alcatel continue to hold stakes of 24 per cent with the rest traded publicly in Paris, London and New York, the French and English nature of its culture has been interspersed by the characteristics of a large number of other nations.

Last year the company gained 59 per cent of its sales in Europe, 19 per cent in Asia, 8 per cent in South and Central America and 7 per cent in the US.

Of its top 300 managers, 130 are French, 80 British and 40 German while the remaining 50 come from about 10 other countries.

At the most senior operating level of the company, seven of the 11-strong executive board are French with the rest British.

Nick Salmon, a former GEC man who is head of Alstom's power generating division, says that in the early days there were some "sensitivities" about which nationalities were most prominent in the higher echelons of the company.

"But we have outgrown this. Now it is the best person for the job," he adds.

The company's 26 individual businesses, grouped within six broad commercial divisions, are organised on a global basis, though with 60 or so individual "country managers" stewarding operations in specific parts of the world.

Ideas are transferred between different parts of Alstom through a series of "horizontal" working groups, one of the most important of which concerns research and development, which accounts for 4 per cent of the company's sales.

Each commercial division has a chief technologist who is expected both to look out for new scientific and technical ideas that could prove useful in his own business as well as encouraging the flow of innovations from his own unit to others.

An example could be in high-power semiconductors, in which new forms of microchips can be used to control the operation of equipment such as rail propulsion systems or turbines, which as a result have applications across virtually the whole spectrum of Alstom's activities.

Another area in which the company is trying to benefit through spreading expertise from one part of the business to others is in purchasing components and services.

With such supplies accounting for 60 per cent of Alstom's turnover, the company can see huge potential to cut costs through joint purchasing operations.

North America's Most Respected Companies

Rank	Company	Country	Sector
1	General Electric	US	Electrical/IT/Telecoms
2=	Coca-Cola	US	Food/Beverages
2=	Wal-Mart	US	Retail
4	Microsoft	US	Electrical/IT/Telecoms
5	Intel	US	Electrical/IT/Telecoms
6=	America Online	US	Electrical/IT/Telecoms
6=	Bank of America	US	Financial
6=	Colgate-Palmolive	US	Consumer Goods
6=	ConAgra	US	Food/Beverages
6=	Dayton Hudson	US	Retail
6=	Disney	US	Media/Leisure
6=	Ford	US	Engineering
6=	Johnson & Johnson	US	Healthcare
6=	Lucent	US	Electrical/IT/Telecoms
6=	Merck	US	Healthcare
6=	Servicemaster	US	Healthcare

It pays to be American

Continued from page 1

whose origins are Anglo-French. Only three pure UK companies make the top 40: Body Shop, British Airways and Marks and Spencer.

All come towards the bottom, and none were rated highly by their sector competitors. All the most highly rated retailers, from Wal-Mart down, were American. Neither Body Shop nor Marks and Spencer figured at all. The only airline to be applauded by its peers was Deutsche Lufthansa.

Most other European countries, it has to be said, fared worse again. Germany had two companies in the world top 40 – Daimler-Benz and BMW – while France had none (again, counting Alstom as a hybrid.) Italy and Finland had one apiece, with Benetton and Nokia respectively.

McDonald's came equal 17th worldwide Trevor Humphries

Some famous American names, interestingly, did not do as well as all that. McDonald's, for instance, with its embarrassing and ill-judged libel trial behind it, came equal 17th worldwide. Boeing, despite its dominant position in its market, came joint 35th.

Overall, though, the message is clear. In reputational terms, it pays to be big, and it pays to be American. Put the two together, like General Electric, and you are on top of the world.

TOYOTA by Paul Abrahams in Tokyo

Excellent handling on uneven surface

Japan's motor giant is the most widely respected company outside the US and the highest placed carmaker

While almost every Japanese automotive group has made heavy weather of the Asian economic downturn and the worst domestic recession since the postwar recovery, Toyota's handling of the crisis has been exemplary.

Its stock market performance has been top of its class, in the past two years more than 70 per cent higher than the Tokyo market. There is little wonder why the automotive group, Japan's biggest and the world's third largest, is so respected. It was ranked the fifth most respected company in the world, and, rather surprisingly for a Japanese company, was very heavily supported by North American chief executives. It was voted the world's most respected engineering company and Asia-Pacific's most respected company.

Last year Toyota achieved record net profits of Y454bn despite a dramatic collapse in the overall domestic market. This year's earnings are likely to be lower but will almost certainly be far better than its Japanese competitors, many of whom are bleeding red ink.

The key to Toyota's success has been its ability to defend its position in its domestic market and offset the gloom at home by successfully expanding internationally. One chief executive in the survey thought Toyota was "the best managed company in the world" while another said "they have the best operating system and sophisticated marketing technologies".

Toyota has done well to defend its 40 per cent domestic market share without excessive discounting. Output in overseas markets jumped 4.2 per cent, thanks to investments in the US and UK. The investments continue. The company has just opened its second car assembly line in the UK, a £200m facility at Burnaston, Derbyshire. It has just started construction of its first continental assembly plant in Valenciennes in northern France. In Latin America Toyota this year opened its first car plant in Brazil.

'The company was very heavily supported by North American chief executives'

In Europe this year, it expects to increase its sales 15 per cent to 540,000 vehicles. In the US sales during the six months to September jumped 17.2 per cent to 723,000.

Behind its relative success in the domestic market and undoubted achievements internationally has been Toyota's ability to create new vehicles that have proved consistently attractive to consumers, claims Kosuke Yamamoto, board director responsible for business development.

The group has had to adjust exceptionally quickly to big changes in demand. "A few years ago, saloon cars represented 80 per cent of the domestic market, a share that was extremely stable," he says.

"But now recreational vehicles represent 50 per cent. We have also found that models' life-span has shortened dramatically, meaning that we have had to shorten development times."

Previously, it would take Toyota about three years to bring a new vehicle to market. Its present record is just 15 months for the Ipsum car-van hybrid.

To achieve that sort of speed requires substantial investment. At the same time, consumers are demanding increasing amounts of technology in their vehicles.

"Cars in the 21st century are going to need more and more technology," says Mr Yamamoto.

The technology will be aimed partly at increasing safety, comfort and drivability but, most important, at environmental factors.

Pride of place in Toyota's drive in this direction is the

Hiroshi Okuda, president: 'best managed company' AP

Prius, an innovative petrol-electric hybrid vehicle, which has a 1.5 litre petrol engine and an electric motor with a rechargeable battery. In US tests it achieved 51 miles to the gallon.

Toyota and Honda are probably the only Japanese motor groups capable of investing on a scale sufficient to keep them globally competitive. Toyota can afford to do this because of its colossal financial strength.

At the end of the financial year in March the company was holding cash and cash equivalents worth Y1,167bn ($9.8bn). Despite recent downgrades by Moody's, the US ratings agency, it is still the top-rated industrial group in Japan.

Nevertheless, despite Toyota's undoubted success investors, particularly international ones, do question whether the group could do even better. The large cash holdings reduce the return on assets.

But some criticisms seem churlish. After all, the group is consistently the most successful of the Japanese automotive groups, a company whose record of innovation and financial return merit admiration.

BUSINESS LEADERS by Tony Jackson

Bosses reap the rewards

Of the top 10 most respected companies, no fewer than six have chief executives who qualify among the top 10 leaders


Bill Gates: the recurring description is 'genius'


Warren Buffett: inclusion at number eight is curious


Percy Barnevik: drew support from around the world

World's Most Respected Business Leaders

Rank	Name	Title	Company
1	Jack Welch	Chairman and CEO	General Electric
2	Bill Gates	Chairman and CEO	Microsoft
3	Jürgen Schrempp	Chairman	Daimler-Benz
4	Lou Gerstner	Chairman and CEO	IBM
5	Andy Grove	Chairman	Intel
6	Percy Barnevik	Chairman	Investor
7	Nobuyuki Idei	President and representative director, Co-CEO	Sony
8	Warren Buffett	Chairman and CEO	Berkshire Hathaway
9	Helmut Maucher	Chairman	Nestlé
10	John Browne	Managing Director and chief executive	British Petroleum
11	Jack Smith	Chairman, CEO and president	General Motors
12	Herb Kelleher	Chairman, CEO and president	Southwest Airlines
13	Kazuo Inamori	Founder and chairman emeritus	Kyocera
14	Lee Iacocca		
15	Hiroshi Okuda	President	Toyota
16	Göran Lindahl	President and CEO	ABB
17	Hugh McColl	Chairman and CEO	Bank of America
18	Doug Ivester	Chairman and CEO	Coca-Cola
19	John Reed	Chairman	Citicorp
20	Sandy Weill	Chairman and CEO	Travelers Group

As with the company, so with the boss. If the chief executives in our sample admire a company, the chances are they admire its leader, and vice versa.

There are exceptions. Among the big oil companies, Shell is much more admired than BP. But Shell, for all its virtues, can seem rather a faceless giant. Sir John Browne of BP ranks number 10 among most admired business leaders. There is no mention of anyone from Shell.

Nevertheless, of the top 10 most respected companies in the world, no fewer than six have bosses who qualify among the top 10 leaders. Much the most respected leader is Jack Welch. Bill Gates, America's richest man, comes second, just as Microsoft does to GE in the corporate stakes.

Mr Welch received half again as many votes as Mr Gates, with US chief executives preferring him by a factor of three. Respondents praised the clarity of his vision for GE, his ability to keep such a vast organisation moving forwards, and the way he had brought forward the next generation of leaders.

Mr Gates, by contrast, is evidently seen more as a one-off, and thus perhaps less easy to copy. The recurring term is "genius". He is described as a trailblazer, an innovator who has also been able to build an empire, and a brilliant strategic planner.

A fairly distant third is Jürgen Schrempp, head of Daimler-Benz. Once more, as for the company, so for the man: Mr Schrempp has received a great deal of media attention this year for his deal with Chrysler.

His supporters – drawn almost exclusively from Europe – cite some suitably Germanic virtues: his consistency, and his ability to assert himself and to push through what his analysis tells him is right.

He is followed by Lou Gerstner of IBM, who is given general credit for sticking to a single, clear strategy for reviving the company. Next comes a tight group of Andy Grove from Intel, Percy Barnevik from Investor and Nobuyuki Idei from Sony.

Mr Grove's inclusion is not a surprise: apart from anything else, he has established a high profile as a writer, with his book *Only the Paranoid Survive*. Mr Barnevik, who is still largely identified with his previous job at ABB, drew support from around the world. Mr Idei, by contrast, was mainly admired by respondents in the Asia/Pacific region.

The inclusion of Warren Buffet at number eight is perhaps slightly curious. Mr Buffet is best known as a portfolio investor of genius, rather than a manager. On the other hand, his portfolio includes one of the world's larger insurance companies, Geico: and no doubt, he is also admired as one whose personal wealth comes close to challenging Mr Gates's.

Further down the list, two names worth noting are those of Goran Lindahl and Doug Ivester. Mr Lindahl has only recently taken over from Mr Barnevik at ABB, but has managed to assert himself without delay.

Mr Ivester, too, has had a hard act to follow, inheriting the top job at Coca-Cola from Roberto Goizueta. Mr Goizueta was famous for having created more value for shareholders in his 16-year tenure than any other US chief executive.

Two other names worth watching, at 19th and 20th respectively, are those of John Reed of Citicorp and Sandy Weill of Travelers Group. The two are now yoked together as joint chairmen of Citigroup, as their merged companies are now called. The merger is proving slightly rocky: if they pull it off, they will doubtless move up the rankings next year – and, of course, vice versa.

What are the qualities most admired among those people? Three above all: clarity of vision, dynamic leadership and tenacity. A typical quote about Mr Welch sums it up: "He has made sure that everyone in the company from top to bottom knows what their job is and where they fit into the core vision of the company. He has a clear philosophy and has been an inspiration to other managers inside and outside GE."

Finally, it is worth noting a group of business people who are almost wholly missing here: the entrepreneurs, as opposed to the runners of empires.

Mr Gates qualifies as an entrepreneur by virtue of having founded his company. The others, almost to a man – and they are all men – are professional managers. There is no mention of Michael Dell of Dell Computer, worth some $12bn personally at the age of 33. Nor is there mention of Richard Branson.

Perhaps this is to be expected. The sample consists primarily of big company CEOs; that is, mainly, of professional managers. If they had the entrepreneurial flair to go off and make really big fortunes, they would doubtless have done it already. As it is, they have the sense to look to those who can show them how to do their own jobs better.

NOBUYUKI IDEI by Paul Abrahams in Tokyo

The greatest challenge yet lies ahead

This year may be a difficult one for Sony's quick-thinking president

Nobuyuki Idei, Sony's president, has done an astonishing job in revitalising the electronics group since he was unexpectedly given the helm in 1994. But the 60-year-old Porsche-driving executive is now facing his greatest challenge yet.

In the mid-1990s Sony appeared to be faltering. The group's traditional television and portable stereo businesses were stuttering and the company had lost $3.2bn in the Hollywood movie business. In 1994, Sony posted its first loss – a mammoth $2.8bn.

After Mr Idei, seventh in the list of business leaders, rapidly sorted out the troubled Californian film operations, he then harnessed Sony's design strength and branding power to launch high-margin, premium-price products, some of which were in totally new business areas. Initially, the strategy worked wonders.

Most notable was the success of the Sony PlayStation, which came from nowhere to become market leader in just four years. Since its launch, the machine has grabbed 55 per cent of global market share against Nintendo's 30 per cent and Sega's 15 per cent. The games console and games associated with it generate more than 10 per cent of Sony's sales and 20 per cent of operating profits.

Mr Idei also continued successfully to build the Sony brand – one recent poll indicated it had become the most recognised brand in the US, ahead of even McDonald's and Coca-Cola.

The audio visual division proved surprisingly resilient. The Wega flat screen television was a huge hit in Japan, while mini-disk sales were strong and digital video discs (DVD) sales brisk, particularly in the US. As for computers, a disappointing performance in north America was offset by the success of the Vaio which remains Japan's best-selling ultrathin notebook PC.

Part of Sony's strength under Mr Idei was its geographical range – it remains one of Japan's few truly global companies. Last year, the US accounted for about 31 per cent of turnover, Japan 27 per cent, Europe 23 per cent and the rest of the world 19 per cent.

The result was that while other Japanese companies floundered in the country's worst recession since the post-war recovery, Sony went from strength to strength. In the last financial year the company achieved record sales and profits for the second year running. Unlike most Japanese companies, Sony also generates economic profits well above its cost of capital. HSBC Securities estimates that in the year ending March 1998, the group achieved a return of 7.8 per cent above its weighted average cost of capital. Not surprisingly, Sony remains financially robust, with net debt at that date of just Y604bn and gearing of just 31 per cent.

But Sony may now be in trouble. Mr Idei whose talent, flexibility and quick thinking has drawn comparisons with the group's co-founder Akio Morita, faces his biggest challenge yet. As the group announced record results for last year, it also warned of an impending downturn. Indeed, analysts now believe it could fall into a loss for the second half.

Many analysts believe this financial year may be rough, but that the difficulties may only be short term. Indeed, even Warburg Dillon Read, among the most pessimistic of the brokers, is predicting a healthy rebound in the 2000 financial year.

Even so, Sony's long-term


Nobuyuki Idei: ambitious vision for his company

future will depend on whether Mr Idei's ambitious vision for his company is the right strategy. He aims to attack the potentially lucrative digital home equipment market by linking Sony's traditional audio visual products with personal computers.

The convergence of the computer and the television should lead to products that are many times more powerful than today's machines, he believes.

Mr Idei's dream is to dominate this new market, taking advantage of Sony's position in the home entertainment market and its ability to design products that are simple to use. Mr Idei hopes to generate new profit streams by allowing customers to download music, video and games from Sony's website to customers' Sony home audio visual machines.

It looks a tough order. The strategy means taking on some of the US's leading technology companies, such as Microsoft, IBM and Amazon.com which have also targeted the digital living room. But if one Japanese company has the ability and management skills to crack the market, then it has to be Sony under Mr Idei's leadership.

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JURGEN SCHREMPP by Graham Bowley in Frankfurt

Single-minded troubleshooter

The merger with Chrysler has brought the Daimler-Benz chairman firmly to the attention of fellow top executives

Jürgen Schrempp: the 54-year-old manager began his working life as a mechanic at a Mercedes-Benz dealership in southern Germany AP

As Daimler-Benz's merger with Chrysler demonstrated, Jürgen Schrempp has done much to earn the reputation of Germany's most aggressive and controversial manager.

In the process his already high profile has increased and he now ranks behind only Jack Welch of General Electric and Bill Gates of Microsoft as the man other business leaders most respect.

During his four and a half years as chairman of Daimler-Benz he showed a single-mindedness to tackle the serious problems at Germany's biggest industrial group. He transformed it into a fitter, leaner company that he could take into the trans-Atlantic link-up, one of the world's biggest industrial mergers.

The 54-year-old manager began his working life as a mechanic at a Mercedes-Benz dealership in southern Germany. He left to take an engineering degree at a technical college.

When he returned to Daimler-Benz it was to the corporation's head office in Stuttgart. From the age of 23 Mr Schrempp then spent the next 17 years in Stuttgart.

In 1974 he moved to the company's South African subsidiary, rising to become the local board member for engineering. Eight years later he moved to Cleveland in the US to run, and finally to close, the Euclid heavy trucks subsidiary.

Even after returning to Germany in 1987 following a second stint in South Africa, trucks stayed close to his heart. He still plays up his humble origins, making much of his time in the no-nonsense world of commercial vehicles.

This simple image sticks. Often, with his cigarette in hand, he appears more at home with a beer tankard or wine glass than a balance sheet.

After the US, his next big break was to be promoted to head of Daimler's Deutsche Aerospace division, which secured him full membership of the Daimler-Benz board.

The division had been created during Daimler-Benz's expansion under then chairman Edzard Reuter, and Mr Schrempp employed his no-nonsense skills to buy and restructure businesses and to turn the division around.

In June, 1994, he achieved his ultimate goal. He was appointed Daimler-Benz's chairman. But by the time he started almost a year later, conditions had worsened. Mr Reuter's diversification had failed to deliver profits and aircraft makers were suffering because of the weak dollar.

In addition, Mr Schrempp's acquisition of Fokker, the Netherlands regional aircraft manufacturer he had bought in 1993, had turned sour. The ill-judged purchase ended badly when Daimler-Benz withdrew its support, resulting in thousands of job cuts and the biggest loss in Daimler's history.

One of his first public acts as chairman was to announce the huge loss to the world at a press conference in New York.

He has also been unable to shrug off completely the claims that the impressive turnround of Mercedes-Benz, Daimler's car group, since the days of Mr Reuter, had more to do with the reforms set in train by former Mercedes boss Helmut Werner than any of Mr Schrempp's innovations.

Another mistake was the débâcle surrounding the launch last year of Daimler's new small cars, the A-Class and the Smart. The new models were supposed to herald Mercedes' entry into the small car sector.

But their launch became an embarrassment after they tipped over during the now-infamous elk test. But, even though the episode was embarrassing, Mr Schrempp yet again won praise for taking a quick decision to pull the models from the market and revamp them.

Despite this setback, Mr Schrempp has powered on. One of his great strengths has been his talent as a consummate corporate manoeuvrer.

In his early days as chairman he overcame resistance from Mr Werner, then head of the company's Mercedes-Benz division, to his plans to streamline the group by merging Mr Werner's car and truck fiefdom into the parent company.

The defeat led to the departure of Mr Werner from the company.

Just over a year later Mr Schrempp took Daimler to greater triumphs with the merger with Chrysler, which in effect was a takeover by the larger Daimler of the US car group. The merged company formally came into existence earlier this month.

Perhaps only the forceful Mr Schrempp could have pushed through so quickly such a large and all-encompassing meshing of two companies as the merger which has created DaimlerChrysler. He will now have to employ all his managerial and corporate skills to ensure that it is a success.

DOUGLAS IVESTER by Richard Tomkins

Checking the trash cans is part of job

Coca-Cola's new boss has won swift admiration from his peers

In his every waking hour two tough tasks face Douglas Ivester, the 51-year-old chairman and chief executive of Coca-Cola.

One is running the world's biggest soft drinks company. The other is trying to emerge from the shadow of Roberto Goizueta, his predecessor.

Mr Goizueta, who died from complications arising from lung cancer in October 1997, attained near legendary status as one of the greatest creators of shareholder wealth in corporate history.

A Cuban refugee, he began working for a Coca-Cola in Havana in 1954. Six years later, fleeing Fidel Castro's revolution, he arrived in the US with his wife, $40 in cash and 100 Coca-Cola shares.

After working his way to the top of Coca-Cola in 1981 he turned what was then a sleepy and bureaucratic company into one of the world's most successful business machines. In the process he increased its stock market value from $4.3bn to $147bn.

It is a colourful story, and a hard act to follow – especially if, like Doug Ivester, you are an accountant by training and conservative, even introverted, by nature. The measure of his success is that he has quickly won the admiration of his peers, joining the ranks of the world's most respected business leaders at number 18.

Still, what Mr Ivester lacks in colour he makes up for in energy and determination. He regularly puts in a seven-day week, often working long into the night. He travels continuously, leading Coca-Cola from the front.

If you believe the stories he is never happier than when prowling the streets of some foreign land, hanging around the supermarket checkouts or peering into trash cans to see which company's soft drinks are selling fastest, and why.

It is also worth noting that Mr Ivester did not become head of Coca-Cola by chance. Working quietly in the background, he was an important contributor to Mr Goizueta's success and was at least in part responsible for Coca-Cola's remarkable growth.

After majoring in accounting at the University of Georgia, Mr Ivester joined Ernst & Whinney as an accountant, eventually heading Coca-Cola's audit team. In 1979 he joined Coca-Cola as assistant controller, rising quickly through the ranks to become chief financial officer in January, 1985, at the unusually young age of 37.

In that capacity Mr Ivester played a key role in the November, 1986, spin-off of Coca-Cola's bottling operations into a separate quoted company called Coca-Cola Enterprises, in which Coca-Cola retained a minority stake.

This move, to be belatedly imitated next year by PepsiCo, owner of Pepsi-Cola, opened the way for the consolidation of Coca-Cola's worldwide bottling network, greatly improving its strength and extending its reach around the world.

After a spell in Europe, Mr Ivester was put in charge of US operations in 1990 and made his mark by refusing to accept the conventional wisdom that the US market was mature.

Eking out every possible opportunity for increasing sales, he increased the pace of Coca-Cola's soft drinks volume growth to about 7 per cent. One of his many successes was exploiting the potential of the trademark contour bottle by using it for larger-size, plastic bottles.

In July, 1994, Coca-Cola's board made Mr Ivester president and chief operating officer, effectively marking him out as Mr Goizueta's successor.

Douglas Ivester: regularly puts in a seven-day week

The two men became closely identified with Coca-Cola's strategy of regarding the company as a business in its infancy, accounting for "only" 1bn of the 48bn servings of beverages consumed in the world each day.

To that extent shareholders regarded it as business as usual when Mr Ivester took over last year. He had already been quietly running the business as Mr Goizueta's lieutenant and vowed there would be no changes in strategy on his promotion to chairman and chief executive.

As things have turned out, however, Mr Ivester has got off to an unfortunate start. Coca-Cola's global sales have taken a drubbing from the the economic crisis. Growth rates have slowed to a crawl and both revenues and profits were down in the third quarter.

But Mr Ivester's confidence in the long term remains unshaken. "We have a great business proposition," he said when the third quarter results came out.

"People get thirsty every day, and we provide a simple moment of refreshment virtually everywhere at a very affordable price."

WORLD REGION LISTINGS by Virginia Marsh

Relative unknowns come out on top

Chief executives around the world tend to reserve their highest praise for businesses in other sectors

Of the 10 companies topping the tables in the survey's five world regions, only General Electric of the US, Daimler-Benz of Germany, and Toyota of Japan make it into the super league of the world's 40 most respected companies.

In Latin America the top spot is occupied, in a three-way tie, by Cemex, Petrobras and YPF of Mexico, Brazil and Argentina respectively, the region's three largest economies.

In Africa and the Middle East, Elron of Israel, Investcorp of Bahrain and Iscor and South African Breweries, both of South Africa, share pole position.

In the past decade Cemex has transformed itself from being a regional operator into the world's third largest cement maker with plants in Spain, the US, Colombia and the Philippines. It has set its sights on expanding to Indonesia, where its $115m offer for a minority stake in Semen Gresik, a partially privatised cement mill, has been accepted.

Its co-winners in Latin America, Petrobras and YPF, are both national oil companies. Petrobras of Brazil is heading for partial privatisation – the government hopes to raise $20bn from privatisations next year including the sale of a large minority stake in the group, the world's 15th biggest oil company.

YPF of Argentina has already taken this route, becoming partially privatised and losing its monopoly in 1993, transforming itself into a more dynamic company in the process.

The Argentine government is now seeking to dispose of a 14.9 per cent stake in YPF by January, a sale it hopes will raise more than $2bn.

Elron, an Israeli electronics and software holding company set up in the 1960s and quoted on Nasdaq in New York, has earned recognition for being one of the largest developers of high technology in the region. A big exporter, it controls, among others Elbit, the defence electronics maker, and its interests also include telephony.

Investcorp, the Bahrain investment bank, is best known for its purchases of luxury goods groups such as Saks, the upmarket department store group, Tiffany's and Gucci. But this year it has snapped up Watmoughs and BPC, two British printers, as well as Leica Geosystems, an industrial measurement business.

Iscor is a giant iron and steel group that recently agreed to buy Zinc Corporation, South Africa's only zinc producer. South African Breweries, meanwhile, is considering moving its primary stock exchange listing from Johannesburg to London, partly because it believes this would enhance its access to capital.

There is also speculation that SAB, one of the world's top 10 brewing groups with operations in Africa, eastern Europe and China, may soon be the subject of a takeover offer. As well as expanding rapidly, the group has won plaudits for making impressive strides in black advancement. About one-fifth of its 330 top managers are black, up from 15 per cent in early 1997.

As for European, US and Japanese companies, which tend to be better known globally, the regional tables reveal interesting contrasts.

IBM, the computers giant, is ranked fourth in the world in the overall survey but fails to make it into the top 16 in North America, its home continent. There it is overtaken by the likes of ConAgra, the meat processing and foods group, and Dayton Hudson, the Minneapolis department store group, both relatively little known outside the US.

Equally, in Asia-Pacific, Kao, the toiletries and household goods group, comes third behind Toyota and Sony but ahead of Honda, Canon and Fuji. The latter are internationally known companies with powerful brands, and Honda is placed 27th in the world rankings.

In Europe, Germany's largest industrial group, Daimler-Benz, sixth in the world, tops the bill. This is not surprising, perhaps, given the German group's merger with Chrysler of the US, which came into effect this month, and the success of its chief executive Jürgen Schrempp in lining up the top job at the enlarged group.

However, British Petroleum's equally daring merger with Amoco of the US did not propel the British company ahead of Royal Dutch Shell, its long-time rival. Shell was positioned third in Europe, with Nestlé second and BP fourth.

This, however, could reflect the fact that the BP-Amoco deal was only announced in mid-August when polling of chief executives for the survey was already under way.

The survey also reveals that companies' peers from the same industry sometimes judge them more critically than chief executives from other sectors. Daimler-Benz may be top in Europe and sixth in the world, but it is only ranked equal fourth in its sector by engineering chief executives.

Joel Rennó: president of Petrobrás (see page 8)

Similarly, although BMW is equal fifth in Europe and 13th in the world, it is unranked among engineering companies.

Companies such as Philip Morris, the tobacco company, and McDonald's, the fast food chain, benefited from the opposite trend. Neither company makes it into the North America league yet both are highly rated by their competitors.

CARGILL by Nikki Tait

Too big to keep a low profile

The big US agriprocessor – America's largest private company – has won respect for nimble decision-making in a tough business environment

Cargill, the big agribusiness and industrial group based in Minneapolis, made a rare appearance in front-page newspaper headlines earlier this month when it revealed that it intended to buy rival Continental Grain's grain-trading operations.

It was an unusual departure. For the best part of its 132-year history the US's largest private company – joint 17th in the most respected list – has kept its profile low and shunned publicity.

The company, which today employs around 80,000 people, was formed in the second half of the 19th century. Will Cargill, son of a Scottish sea captain, started out by trading and warehousing grain in the Midwest, soon to be joined by his brothers.

The Cargills went on to acquire elevators along the nation's rapidly expanding railroad network and by the 1880s had moved into flour milling.

They soon intermarried with another Scottish immigrant family, the MacMillans, and members of both dynasties played a leading role in managing the group.

Despite numerous ups and downs the company expanded into shipbuilding and grain processing, eventually becoming a broadly based industrial, agricultural and financial products group.

Today the original grain trading activities are still a significant element in the group, with Cargill estimated to handle about one-fifth of all US grain exports. The Continental deal, if approved, could give it another 15 per cent share.

But Cargill is equally big in processing, reckoned to have about one-fifth of the US's corn milling capacity and handle the slaughtering of about 20 per cent of US cattle.

The sheer size of Cargill's operations means that it cannot be as private as it might like. It reports quarterly earnings and sales, for example, although it rarely elaborates on particular activities.

In recent months these have shown an increasingly tough environment. In 1997-98, for example, after-tax profits slipped by 43 per cent to $468m, with sales down by about 8 per cent at $51.4bn.

That was blamed partly on the excess capacity which exists worldwide in grain handling and processing capacity, partly on the fall-off in Asian demand and some weather-related factors and partly on losses in some consumer finance units, from which the company has subsequently retrenched.

Results during the 12 months have been even grimmer. In the most recent quarter, to the end of August, for example, Cargill barely broke even, posting a profit of just $4m, down from $93m a year earlier.

Again, part of the responsibility lay with depressed commodity prices and the lack of demand from Asia and other emerging markets. But trading losses "incurred in turbulent world financial markets, the majority in Russia" were also blamed.

Although Cargill did not elaborate, there had been speculation that the company could have lost as much as $200m in Russia and other developing countries. The president of its financial markets group resigned this autumn and the trading operation has been scaled down.

But the straitened times have also thrown up opportunities. Last month Cargill gained a much more significant entry into the Japanese agribusiness and food sector when it agreed to "sponsor" the reorganisation at Toshoku, the bankrupt Japanese commodities and food trader and retailer.

Grain elevators line the railroad network in the US AP

Once the project is approved Toshoku can become a full Cargill subsidiary, giving the US company access to a chain of domestic supermarkets, a Japanese sugar refinery, a couple of US-based facilities including an apple juice plant and a breeder farm and the trading and distribution activities.

The company has also taken advantage of the high prices paid for seed operations, as big chemicals companies battle for a place in the expanding field of agricultural genetics, to dispose of its North American and international operations.

Monsanto paid $1.4bn for the latter and Germany's AgrEvo was due to acquire the former for $650m. However, the buyer has since suggested that it would like to renegotiate the price on the grounds that the value of the business could be threatened by a lawsuit filed against it by a rival seed corn supplier.

This alleges that some proprietary genetic traits were wrongfully obtained and used. Cargill, says the suit, one of many to have littered the agricultural biotechnology field, is without merit.

HERB KELLEHER by Richard Tomkins in New York

Practical joker who is still flying high

The co-founder of Southwest Airlines has won friends through an eccentric approach to customer relations

Herb Kelleher is rated one of the most respected business leaders in the US, yet the company he leads, Southwest Airlines, figures nowhere in the lists.

A paradox? Not really. The simple explanation is that Mr Kelleher is Southwest Airlines.

Texas-based Southwest more or less invented the concept of low-cost air travel and it was Mr Kelleher, with his friend Rollin King, who invented Southwest.

As the story goes, Mr Kelleher and Mr King came up with the idea of the airline in 1966 when they drew its initial route map – a triangle between Dallas, Houston and San Antonio – on a cocktail napkin.

In those days the US airline industry had not yet been deregulated, and it took a long legal battle led by Mr Kelleher, a lawyer, to get the airline into the air.

The first aircraft took off in June, 1971. From the start Mr Kelleher used eccentric methods to draw attention to the airline.

Catering for a predominantly Texan clientele, he launched Southwest with a "love" theme under the slogan "Somebody up there loves you".

Its air hostesses wore hot pants and white PVC go-go boots. Drinks were Love Potions, peanuts were Love Bites and tickets came from Love Machines.

Later, adjusting to a more politically correct era, Mr Kelleher – 12th in the list of the world's most respected leaders – dropped the "love" campaign in favour of a mission to deliver "positively outrageous service" at unbelievably low fares. But he never let go of the eccentricity.

Today Mr Kelleher has taken to extremes the notion that work can be fun. At the company's Dallas headquarters everyone, Mr Kelleher included, wears casual clothes, the practical jokes are incessant and the working routine is frequently interrupted by birthday celebrations or awards.

The same spirit is at large on the company's aircraft, where the flight attendants play tricks on the passengers and turn the safety instructions into an excuse for a comic turn.

Herb Kelleher: a notion that work can be fun AP

One example: "Those of you who to wish to smoke will please file out to our lounge on the wing, where you can enjoy our feature movie presentation, Gone with the Wind."

A Texan by marriage but a native of the Philadelphia suburbs of New Jersey, he sets the tone for the company with his remorseless enthusiasm for jokes, pranks, laughter and warmth.

But there is a serious side to his approach. He believes that in a successful business the employees, not the customers, come first. The reasoning behind this philosophy is that if a company's employees are happy everything else will fall into place.

It seems to work at Southwest. Most employees seem almost fanatically committed to the airline, delivering excellent service to customers and extraordinarily high levels of productivity.

Many companies have tried to imitate Southwest's approach, but few have succeeded. Somehow, without a Herb Kelleher at the top, the approach seems to ring hollow and seldom lasts long.

Southwest, in contrast, has gone from strength to strength. As the years have passed its route network has spread to the point where it is now one of the largest airlines in the US. Last year it made net profits of $318m on revenues of $3.8bn.

The one dark cloud on the horizon is the question of Mr Kelleher's immortality – or rather, his lack of it. It is hard to imagine a Southwest Airlines without Mr Kelleher at the top.

But he is 67 and does little to prolong his life expectancy with his frequently avowed passion for bourbon (Wild Turkey) and cigarettes (five packs a day).

He will not admit to plans for retiring, but few expect him to remain chairman and chief executive after his five-year contract end in three years' time. After that it is not clear what will happen. There is no succession plan, nor does Mr Kelleher have a clear second-in-command.

KAZUO INAMORI by Michiyo Nakamoto in Tokyo

Single-minded devotion

The same qualities have enhanced Kyocera's founder's standing both as a businessman and as a Zen monk

Kazuo Inamori, the chairman emeritus of Kyocera, is a Zen monk.

The combination of jobs might seem eccentric, if not incompatible, and has been received with some bewilderment, even in Japan.

But for Mr Inamori, who has always had a pious streak, the two callings are hardly contradictory.

Mr Inamori, 13th in the list of business leaders, believes strongly in the social obligations of the corporation. He sprinkles his conversation with proverbs about the importance of consideration for others and thinking about the good of mankind.

These sayings have formed the philosophical underpinnings of a tremendous business drive and self-confidence that have been the source of his success.

"I asked myself over and over again whether I was sure that I was not setting up the company just for the sake of personal achievement, status or profit but out of a pure desire to reduce telecommunications rates."

If the rewards of his philanthropy are measured by how much he has benefited mankind, the two companies he founded must be doing wonders for this world.

Kyocera, which he set up in 1959 with seven co-workers from a small ceramics manufacturer in Kyoto, has grown to become the largest maker of ceramic packages for semiconductors in the world with group pre-tax profits of Y105.4bn last year and return on equity of 6.4 per cent.

DDI, Japan's second largest telecoms carrier with pre-tax profits of Y52.2bn last year, has become the country's second largest carrier, although it recently suffered a downturn in profits amid strong competition in the long-distance market.

But Mr Inamori's business philosophy is not just about generosity. His career has been marked by a single-minded devotion to the businesses he has founded and confidence that they will succeed.

However, what has enabled them to succeed is not merely the pursuit of good deeds but a fixation with numerical targets in speedily and efficiently achieving the best possible results.

Indeed, some critics note that Mr Inamori's "religion" is, in fact, a front that allows him to indoctrinate his employees into believing in the sacredness of numbers that lead to profits.

Kazuo Inamori: has always had a pious streak

Furthermore, Mr Inamori has retained a self-confidence and entrepreneurial spirit that have led him to take on NTT, even after the considerable success of Kyocera, and to invest in Iridium, the global satellite phone company.

DDI was founded in the face of scorn from the Japanese business community, which doubted the ability of a novice in the telecoms industry to compete against a giant like NTT.

When he set up Kyocera, Japan was already in a stable economic phase hardly conducive to the emergence of new businesses.

He has persistently lectured about the importance of those qualities, particularly at Seiwa-juku, a school he set up for would-be entrepreneurs.

As many of his disciples have spread the Inamori philosophy, the message has been one of passion and corporate vision. This has tended to overshadow the reality of rigorous attention to execution that has been equally important.

But his critics are quick to point out that Mr Inamori has relied as much on links with bureaucrats as has any unscrupulous businessman. In particular, he has attracted much criticism for his decision to hire Yoshio Nakajima, a former finance ministry bureaucrat who was forced to leave the ministry as a result of accusations that he received excessive entertainment from members of the financial community.

When he announced his decision to retire from active business life and pursue the quieter life of a recluse, the news would have delighted some members of the Japanese establishment.

His outspoken views about the need for deregulation, his tirades against bureaucrats have earned him a reputation as a troublemaker.

However, the crisis in Japanese economy has brought Mr Inamori back to the front line. Given Japan's difficult outlook, it may be some time before he will be able to return to the tranquility of life as a Zen monk.